

Housing, Communities and Local Government

Oral evidence: Pre-legislative scrutiny of the draft Commonhold and Leasehold Reform Bill, HC 1681

Tuesday 24 March 2026

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Members present: Florence Eshalomi (Chair); Andrew Cooper; Chris Curtis; Mr Lee Dillon; Maya Ellis; Mr Gagan Mohindra; Sarah Smith; Sean Woodcock.

Questions 186-255

Witnesses

I: Matthew Pennycook, Minister of State for Housing and Planning, Ministry of Housing, Communities and Local Government, Caroline Crowther, Director of Leasehold, Private Rented Sector and Digital Planning, MHCLG and Rachel Rayner, Deputy Director of Leasehold, Commonhold, Rent-charges and HM Land Registry Sponsorship, MHCLG.

Examination of Witnesses

Witnesses: Matthew Pennycook, Caroline Crowther and Rachel Rayner.

Chair: Good morning, everybody, and welcome to the Housing, Communities and Local Government Committee. This is the final evidence session in our inquiry into the draft Commonhold and Leasehold Reform Bill. My name is Florence Eshalomi and I am the Chair of the Committee. Will Committee members please introduce themselves?

Mr Mohindra: I am Gagan Mohindra, the Conservative Member of Parliament for South West Hertfordshire.

Mr Dillon: I am Lee Dillon, the Liberal Democrat MP for Newbury.

Chris Curtis: I am Chris Curtis, the MP for Milton Keynes North.

Sarah Smith: I am Sarah Smith, the Member of Parliament for Hyndburn.

Sean Woodcock: I am Sean Woodcock, the MP for Banbury.

Andrew Cooper: I am Andrew Cooper, the Member of Parliament for Mid Cheshire.

Maya Ellis: I am Maya Ellis, the Member of Parliament for Ribble Valley.

Chair: May I ask our guests to introduce themselves, please?

Caroline Crowther: Good morning, everyone. I am Caroline Crowther, one of the housing directors in MHCLG. One of my responsibilities is leasehold reform.

Matthew Pennycook: I am Matthew Pennycook; I am the Minister for Housing and Planning.

Rachel Rayner: I am Rachel Rayner. I am the deputy director for commonhold and leasehold reform.

Q186 **Chair:** Thank you very much. Everyone will be aware that the Government have asked the Housing, Communities and Local Government Committee to undertake pre-legislative scrutiny of the draft Commonhold and Leasehold Bill before the final version is introduced to Parliament. We have had a series of meetings over the last few weeks, a range of evidence sessions, and a number of written submissions coming through to the Committee. This is our opportunity to question the Minister and officials. Minister, I understand that you want to make a short opening statement.

Matthew Pennycook: Good morning to you, Chair, and to members of the Committee. Before I begin, can I put on record my thanks for the work you have already undertaken in scrutinising the draft Bill, and my appreciation to all the members of the public and stakeholders who have engaged with the PLS process? I know that we have a lot to get through, so I do not intend to make lengthy opening remarks, but I want to make a number of important points that I hope will help inform the discussion over the next hour and a half or so.

The first relates to the Government's manifesto. In it, we committed to finally bringing the feudal leasehold system to an end; to enacting the package of Law Commission proposals on leasehold enfranchisement, right to manage and commonhold; to taking further steps to ban new leasehold flats and ensuring that commonhold is the default tenure; to tackling unregulated, unaffordable ground rent charges; and to bringing the injustice of fleecehold private housing estates and unfair maintenance costs to an end. I want you, as Committee members, and everyone watching our proceedings to know that I take those commitments, which I developed in opposition, extremely seriously. As a Government, we remain firmly committed to honouring each and every one of them.

As you know, the Law Commission set out a coherent and holistic reform package across three reports. Sadly, these blueprints were not in turn followed by three distinct and internally coherent pieces of legislation, as would have been logical in my view. We should have had three separate Bills: enfranchisement, right to manage and commonhold. The draft Bill brings forward the reforms to commonhold recommended by the Law Commission. However, as you know, the Leasehold and Freehold Reform Act 2024 haphazardly cherry-picked the commission's recommendations on enfranchisement and took forward only a very small number of its recommendations in respect of the right to manage. As I made clear in the written ministerial statement I issued in November 2024, that choice has

rendered the process of holistic and coherent leasehold and commonhold reform more challenging. We now have to work through how best to take forward the remaining recommendations.

The second point I want to make concerns our policy, which is to do what is necessary to honour the commitments made in our manifesto over the course of this Parliament. That means continuing to bring into force, as early as we can in each instance, those reforms to the leasehold system that are already in statute through the extensive programme of secondary legislation that is required. It means legislating through this draft Bill, as well as through other pieces of primary legislation that will be required, to put in place the wider set of reforms necessary to bring the system as we know it to an end. I make that point simply to reiterate what I have told the House on a number of occasions: namely, that the draft Bill you are scrutinising will not be the last word on leasehold reform before the next general election.

My final point concerns our aim to bring the leasehold system to an end in the Parliament, as I have said. What do we mean by that? We obviously do not mean the outright abolition of the system overnight. That is the litmus test that purists would have you believe is the only defensible course of action. We did not promise in our manifesto to terminate circa 5 million lease agreements overnight, with the colossal disruption, cost and complexity that would entail, not to mention the detrimental impact on enfranchised and RTM buildings. By “end”, we mean preventing the system from perpetuating itself by making commonhold the default tenure going forward and reducing the prevalence of existing leasehold by making it much easier for leaseholders to enfranchise, control the buildings they live in and convert to commonhold.

It took 29 years—from 1896 to 1925—to put the modern leasehold system in place through the Law of Property Act 1925 at a time when both the law and society, I would argue, were far less complex. I emphasise the point that, despite what the naysayers and bad-faith commentators assert, this Government are progressing a staggeringly ambitious overhaul of property law—probably the most ambitious in a century, if not longer. It cannot be done overnight, but we will do it before this Parliament ends, and we are determined to finish the job.

Chair: Thank you for that, Minister. That outlines the complexity of this legislation and, equally, why it is important that this Parliament and the Government get it right. A number of people have been waiting for far too long, and we understand that there may be other areas where the Government would need to legislate to do this. Gagan, will you start off on ground rents?

Q187 **Mr Mohindra:** Thank you for that intro, Minister. Can you explain to the Committee and the audience what evidence underpins your decision for a 40-year transition period before a change to peppercorn for existing ground rents?



HOUSE OF COMMONS

Matthew Pennycook: Yes. In a sense, that is a very general question. We made a comprehensive analysis of how we should honour the commitments in our manifesto to tackle unaffordable, unregulated ground rents. We have engaged a very wide range of stakeholders. We think the policy in the draft Bill is the most appropriate, justified and proportionate way to meet those ends. That is why we alighted on both the £250 cash cap and the 40-year transition to peppercorn.

Q188 **Mr Mohindra:** Can I probe a bit more? Why not 35 or 45 years? Why is the proposal 40 years specifically?

Matthew Pennycook: It is a fair question. In the previous sessions I have seen, where other figures—including previous Secretaries of State—have given evidence, there have been a range of views on this matter. You understand, as I think the public do, that the shorter the transition on the peppercorn time, the greater the potential disruption in terms of impacts on buildings—we can come to that—and the greater the legal risk. I will not be able to say much more than this without going into the legal advice that the Government have received, but we think that this is the most deliverable and defensible intervention that meets our manifesto commitments and allows us to get it in place as quickly as possible to the benefit of leaseholders.

Q189 **Mr Mohindra:** Could the £250 cap on ground rents come into force two months after Royal Assent, rather than in late 2028?

Matthew Pennycook: I might bring in officials to supplement what I am going to say, but, essentially, the bulk of the measure as we intend to take it forward is set out in the draft Bill. There are a number of remaining policy choices that we need to work through. We flagged a number of those to the Committee. Quid pro quo leases are a good example of the issues we are working through that we need to give further consideration. However, we want to be able to switch it on as soon as possible. Depending on the answer to those policy questions, it remains an open choice as to whether we can do that through primary legislation or whether secondary legislation is required. It partly depends on the complexity.

Q190 **Mr Mohindra:** Freeholders and investors were a bit reluctant to speak to us in public about their views. What have they been saying to you in private?

Matthew Pennycook: Lots of their representations are public. We have had extensive engagement with a range of stakeholders, including investors. Caroline, you might like to come in on this.

Caroline Crowther: As you would expect for a policy of this nature, we have been speaking to everyone who is potentially affected—investors, freeholders and so on. As Matthew Pennycook says, some of that is available in public, but they have also shared quite a lot of commercially sensitive things on a confidential basis. I reassure the Committee that we have taken on board their concerns and issues. That has been evident in

the design of the policy and the proportional aspect of the transition to 40 years.

Q191 Andrew Cooper: Minister, I would like to push you a bit further on the issue of 40 years. You described how there is a range of views on that. You will have heard Lord Gove's evidence to the Committee that he was convinced that 20 years struck the right balance, and that he convinced the then Prime Minister Rishi Sunak that 20 years was the right balance. They would presumably have had access to the same legal advice that you and the Secretary of State will have had.

Matthew Pennycook: I am not sure that is the case.

Q192 Andrew Cooper: Well, perhaps you could tell us now.

Matthew Pennycook: It is just a matter of common practice that I am not privy to the advice received by previous Government Ministers.

Q193 Andrew Cooper: My question was going to be: what do you think has changed? What new evidence has emerged?

Matthew Pennycook: I don't know whether anything has changed because I don't know what advice was put to Baron Gove and the previous Government. We have taken advice that I received from officials, including legal opinion, and we have alighted on the policy intervention that we have.

To expand on the point, as I said, the shorter the transition, the greater the value transfer from freeholders to leaseholders. I would argue that the most impactful part of the ground rent provisions in the Bill is the £250 cash cap. If you play forward what that means over time, because it is fixed in cash terms, obviously leaseholders will benefit more as time passes, so in 20 years, the cap could be worth around 60% of its value today. That is the impact, and its erosion over time through inflation is where the extra benefit will come through.

We then faced a choice on the transition to peppercorn, which I should emphasise is partly so that in however many years' time we eventually alight on—but if it is 40 as proposed—there won't be numerous ground rent terms in leases of quite small values that frustrate the operation of a modern, effective property market. In terms of the period of time, the value transfer is obviously more.

That value transfer, and whether you bring the date forward from the 40 years we have proposed, would increase the disruption implied by the policy and would increase the legal risk. So again, I come back to the point that we judge this as the most justified and proportionate intervention to deal with these specific harms, and the most deliverable and defensible, allowing us to get it in place for leaseholders as quickly as possible.

Q194 Mr Mohindra: Minister, you have spoken about the £250. Witnesses in some of the previous evidence sessions have potentially suggested a percentage, such as 0.1%. What was your rationale for going for a set



figure of £250, rather than a percentage of the value? I am mindful that some flats in London might have multimillion pounds-worth of value, so £250 may seem out of kilter. Conversely, in some of the regional towns, £250 might be a significantly high barrier to hit.

Matthew Pennycook: I want Rachel and Caroline to have a chance to speak—we can share some of the questions around—but I would probably make three points in response to that. First, there is a very clear rationale for why we picked £250 as the cash cap amount. There are historical reasons in the sense that—although we have changed some of the law in this area by taking forward our Renters’ Rights Act—the Housing Act 1988 is the point at which you tipped over into becoming an assured shorthold tenancy, and there are ongoing issues in terms of access to mortgages and other harms that come through ground rent terms over £250. So that is the rationale for the £250 cap, and it was obviously in the 2023 consultation.

The second point I would make is that it is not just a small number of leaseholders who have ground rent terms over £250, and it is not just a London issue; there are leaseholders across the country with ground rent terms higher than £250 already or escalating on their way to being higher. That is why we know that between 770,000 and 900,000 leaseholders will benefit from the ground rent provisions in the draft Bill from day one.

On your specific point about why the figure is £250 and why there is a cash cap rather than 0.1%, there are a number of reasons. In essence, it provides certainty and clarity to all leaseholders across the country as to what they can expect. If you have a ground rent term over £250, it will come down. If you have a ground rent term under £250 and it has an escalating provision in the clause, you will know that you will never go above £250. If you have a ground rent that is under £250 and no escalating clause, it will not rise. We are not pulling everyone up to £250. There is certainty and clarity about how it works. It will limit the potential for abuse. At the point where you have a 0.1% property valuation approach, everyone has to go through the process of having their property valued. I think there is the potential for abuse in the sense that leaseholders are not clear what the process entails and what amount should come out of that.

Then there are the complexities of what a property value approach would mean in terms of every property having to be valued and all the costs and complexity that that process would entail, which is not there with the £250 cash cap. In a sense, this speaks to the difference in the Leasehold and Freehold Reform Act 2024 enfranchisement provisions, where the process of calculating the premium is based on 0.1% of property value, but that requires a property valuation to take forward the enfranchisement. The cash cap works for everyone in the country and is based on a proxy valuation that has a different methodology. That is, again, where the misalignment in this case is between what we are proposing for everyone in terms of ground rents and those taking forward an enfranchisement process.

Q195 **Chair:** Minister, you have outlined the £250 cap and how that would benefit quite a number of people, and with this draft legislation and in a lot of previous consultation we hear that from leaseholders up and down the country. What specific consultation would be needed after Royal Assent to enable the £250 cap to come into effect much quicker?

Matthew Pennycook: I do not think any further consultation is required.

Q196 **Chair:** So it can come in within two months, as my colleague mentioned.

Matthew Pennycook: Perhaps I did not explain myself clearly enough. There are a number of outstanding policy questions that we need to answer about how we design the intervention. I mentioned quid pro quo leases as a good example, which I think we flagged with the Committee. What do we do with those? The more complex the intervention becomes, the more likely that we will need detailed secondary legislation to do it. If it is a fairly straightforward matter, there is a chance that we could do it through primary legislation, through just the Bill. Obviously, my intention and my overriding aim as the Minister is to get those provisions in place as quickly as possible.

Rachel Rayner: That is right. We have published the response to the 2023 consultation, which set out a range of options, and we have set out, particularly in the IA, how we have taken those into account in the development of the policy that is in the Bill. As the Minister says, on the subsidiary set of issues, we will be working through the complexities of quid pro quo leases in particular, finalising the drafting and then bringing it into force.

Q197 **Chair:** In that consultation, was there any substantive evidence of the risk to pension funds or financial markets? That is another area that has been a bone of contention for many people—that was in some of the evidence that we heard from freeholders. Is there substantive evidence to show that there will be a risk? Even if you have received legal advice that you cannot share, have you seen evidence of that?

Matthew Pennycook: There are a number of points. There is no immediate impact on freeholders' income as a result of these reforms. Where freeholders have taken on very high debts, they will have time to renegotiate with their creditors to find an appropriate way forward. We expect all parties to act in line with their fiduciary duties and responsibilities.

In terms of the general impact on pension fund assets—that was one of your points—it is worth seeing it in context. UK pension fund assets have been estimated to amount in total to over £3 trillion. We are estimating—we have provided you with the impact assessment—that the ground rent reforms will see a value transfer of between £10 billion and £12 billion to leaseholders. That is obviously a very small proportion of the total.

I think this goes to a general point. Intervening retrospectively in contractual terms is not something we do lightly. There is a very high bar for it. But as I think I said when I previously gave evidence to the



HOUSE OF COMMONS

Committee with Minister Rigby, we think there is a very specific harm that needs to be rectified here, and this is a justified and proportionate approach to that end. It speaks to the point that although there are differences of opinion, there is quite significant cross-party consensus behind intervening on ground rents. It was, I think, in every party's manifesto, bar some of the smaller parties. So the intervention has been socialised for some time. I would argue that third party investors know that this was coming.

Q198 Sarah Smith: On the question of 40 versus potentially 20 years to make the transition to peppercorn, I know you can talk about the fact that based on inflation it will have a lower impact on those who pay out every year, but it is the principle: it would be equivalent to about £5,000 for constituents of mine—for leaseholders, in terms of what they would or would not be paying out, depending on where we draw the line.

As I understand it, the legal advice will have weighed up the competing interests of leaseholders and freeholders. I just wonder whether it is potentially true that in that legal advice, the greater consideration was given to whether freeholders would bring a case, because they have the finances, they are organised and they have already challenged the existing legislation; and so equal consideration was not given to the normal man and woman fighting for these changes to come through.

It is Parliament's and Government's role to provide the voice for those people, because this is about whose side we are on. This is about taking on vested interests—companies like Grosvenor—to say that we stand with people fighting for the right not to have to pay out for these leases every year for absolutely zero in return.

Matthew Pennycook: I will not be drawn on the legal advice that the Government have received. I would argue that in political terms, we are taking on those vested interests. Freeholders want to see no intervention on ground rents in terms of retrospective action. We are taking on those vested interests. Also, as I have argued, I don't think that considering the appropriate transition point for peppercorn is the most impactful part of the ground rent provisions; I think the £250 cash cap is the most impactful element by far.

In considering what is appropriate, what is proportionate, what is justified, we have to balance our ambition to protect leaseholders, not necessarily with the interests of freeholders, although that is a consideration, but also against the wider impacts. A much shorter transition period would increase uncertainty and market disruption and would, I would argue, carry the risk of, in particular, freeholder insolvencies, which we do not want to see. So I don't think it is quite as simple, Ms Smith, as whose side we are taking. We have to consider this in the round: what is the impact on the system, what is the market impact? If we get that impact wrong and overstep, freeholders will potentially suffer. If there are mass freeholder insolvencies in buildings, leaseholders will suffer. We try to get the balance right, asking, "In dealing with this specific harm, what is the most appropriate, justified, deliverable and defensible intervention we can make?" We are on

leaseholders' side here, in the sense that the freehold industry does not want us to take any action on ground rents.

Q199 Andrew Cooper: I want to move on to the Law Commission's recommendations. As you will be aware, Minister, the Law Commission produced a series of reports between 2020 and 2021 around enfranchisement—right to manage, commonhold and the price payable on enfranchisement. Why did the Government choose not to include the remaining Law Commission recommendations on enfranchisement and the right to manage in this draft Bill?

Matthew Pennycook: Put very simply, because the Bill is already very large—it includes significant structural changes to the housing market on commonhold, on forfeiture and on ground rents—and we cannot deliver the whole of the Government's commonhold and leasehold reform agenda in a single piece of legislation. As I made clear in my opening statement, there will have to be other legislation that brings forward other elements of the reforms we are committed to in our manifesto.

Q200 Andrew Cooper: Fair enough. We have heard, though, from many leaseholders about the impact that development value in particular is having on enfranchisement premiums, which they think might be a barrier to converting to commonhold for many blocks. Do you think that could specifically be carved out and addressed in the final Bill?

Matthew Pennycook: I will not be drawn on whether it will be dealt with in the draft Bill. We absolutely recognise the issue here. It is probably worth my setting out some of the background and thinking. Obviously, we are already taking steps to make enfranchisement cheaper and easier by implementing the reforms in the 2024 Act—I am sure we will come to that as a separate issue. We obviously understand that, in some cases, development value can make the cost of buying a freehold prohibitively high.

It is worth having a look at what the Law Commission said on this point. In its valuation report, it proposed a sub-option to enable leaseholders to voluntarily agree to a restriction on future development of their property to avoid paying development value as part of the collective enfranchisement claim. As the Law Commission noted in its own report, there are some quite challenging and practical legal difficulties to implementing this. We are giving it consideration and keeping it under review, and we will obviously listen to the Committee's response. I recognise the challenge, and I think there are a number of ways in which the problem might be approached.

Q201 Andrew Cooper: Turning to the right to manage, you have already said that you want to produce separate primary legislation on the right to manage for commonhold, leasehold and freehold homes on private estates. Is that work already under way? Is the Law Commission working on a draft Bill for you at the moment on that?

Matthew Pennycook: Let me bring my officials in on the Law Commission. I should declare an interest, by the way, as my wife is joint chief executive of the Law Commission.

Caroline Crowther: We have asked the Law Commission to look at this issue. It is not working on a draft Bill, but it is working on recommendations on how we would tackle this issue. We are not at the draft Bill stage yet.

Q202 **Andrew Cooper:** Okay. Do the timescales for that align with those for this Parliament? Is it likely that those recommendations will be delivered in time for you to get an Act passed before the end of this Parliament?

Matthew Pennycook: We intend to honour our manifesto commitments in this Parliament, as we made clear.

Rachel Rayner: I would just add that the project the Law Commission has included in its 14th programme is looking at the right to manage in the context of privately managed estates, which the Department is supporting. That supplements the existing work of the Law Commission, and we will be taking that into account as well.

Q203 **Andrew Cooper:** Is that separate? Is that going to be delivered in this Parliament as well?

Rachel Rayner: That is a separate programme of work from the existing Law Commission report on right to manage—as I say, that is looking at the issues in the context of privately managed leasehold estates. Obviously, the two are complementary to an extent, when we are thinking about right to manage more broadly.

Q204 **Chair:** Just for clarity, Minister, the wording in the manifesto was, “enact the package of Law Commission proposals on leasehold enfranchisement, right to manage and commonhold.” Is the ambition still to have that done by the end of this Parliament?

Matthew Pennycook: Let me give you a bit more clarity on that point, because I think it is useful. It is quite difficult to determine the number of outstanding recommendations from the Law Commission, because the 2024 Act departed from its recommendations for holistic reform of the leasehold and RTM regimes. Some of the recommendations are now obsolete, because of the way in which the then Government took forward the 2024 Act.

Just for clarity—tell me if the Committee knows this—the Law Commission recommended repealing and replacing entirely the 1967 Act, relating to houses, and the 1993 Act, relating to flats. In the 2024 Act, the Government did not follow that approach; they cherry-picked the best elements of the enfranchisement report and took forward only four provisions from the RTM report. We have to work through what finishing those recommendations means, and it has become more challenging in that respect. In a sense, RTM is easier because, in the 2024 Act, I think the then Government only took four clauses.

Chair: We are going to come on to that.

Matthew Pennycook: Okay, we will come on to that. They took a small number, so both the elements relating to the nature of the right to manage and the process issues in that report are far easier to deal with. Enfranchisement is far more complex.

Q205 **Mr Dillon:** I want to talk about managing agents, which we have spoken about quite a bit both privately and in the House, Minister. Taking your opening statement, I accept that regulating managing agents specifically was not in the Labour manifesto, and that you have consulted on enacting the previous Act's provisions on managing agents, and you are looking at going forward. First, why not this Bill? Why not put the regulation of managing agents in it?

Matthew Pennycook: As I set out in my November 2024 written ministerial statement, as well as in other places, we have made clear that we are committed to strengthening the regulation of managing agents—that is not an issue. They will play a key role in the maintenance of multi-occupancy buildings and freehold estates. Their importance only increases in a commonhold world, where commonhold has become the default tenure and existing leaseholders are empowered to exercise the right to manage, collectively enfranchise or convert. Their importance is there; we have to ensure that they are appropriately regulated.

I will bring officials in to supplement what we have done through the existing consultation and the consultation on home buying and selling, which deals with property agents in a different way. There are broadly two ways that we can approach this issue. We can layer individual interventions into this legislation and take them forward in a variety of ways. We have obviously already consulted on mandatory professional qualifications, switch and veto. Those are some of the recommendations from Lord Best's report. We could take that approach, layering on regulation as we go, or not do any of that, step back and look to take forward Lord Best's recommendations in a more holistic way through, say, a standalone piece of primary legislation. I speak regularly to Lord Best about these issues; his preference is very much for the latter, and for an independent regulator to oversee the system. There are a number of ways that you can come at this.

I come back to, I suppose, the question that Mr Cooper asked. The Bill cannot do everything. It is already very large. We have to look—and as a Government we are looking—at all our manifesto commitments, which I take very seriously. We want to deliver them all in this Parliament. What is the most efficient and effective way of doing that in the coming years before we next get to a general election? There are some choices for the Government on managing agents.

Q206 **Mr Dillon:** The consultation that you did ended on 26 September—in a couple of days' time, that will be six months ago. When will we see the responses to it? Did the consultation's preliminary findings help you to shape the draft Commonhold and Leasehold Reform Bill?



HOUSE OF COMMONS

Matthew Pennycook: I feel that I am dominating the conversation, so I will bring my officials in and then supplement their answers. I can tell you how we break down the SIs.

Rachel Rayner: There were obviously two parts to that consultation. The first half is on LAFRA implementation and particularly focuses on measures to make service charges more transparent. We have analysed the responses to that consultation as part of developing the SI package that will implement it. We got quite a lot of responses and particularly, I think it is fair to say, on service charge accounting measures, including a lot of feedback on how that will work in practice. We have had to work through that. That will be delivered by a relatively complex SI package of six separate SIs: two on service charges, two on buildings insurance, two on litigation costs. We will obviously respond to the consultation to show exactly how we are going to implement it as soon as possible; the process will take forward that implementing package as quickly as possible. It is just that the consultation unearthed some relatively technically complex issues.

The second half of the consultation was obviously on measures separate to LAFRA—those ROPA measures that the Minister mentioned, as well as additional measures on asset management, in relation to section 20 reform, and a number of other cases. Again, we are in the process of analysing those responses. The consultation has been helpful and has informed the thinking on minimum qualifications in particular. Similarly, we will hopefully respond as soon as possible on the full set of measures in that consultation.

Q207 **Mr Dillon:** Thank you for that response. I agree with Lord Best's train of thought on the regulator. Minister, I respect your position about the professional qualification approach—which you gave before you went out to consult, to give the direction of travel. It will be welcome to the public that SIs will be coming through as quickly as possible before further legislation is introduced.

Matthew Pennycook: I have made it very clear that I want the SIs to come forward as quickly as possible. To supplement what Rachel said, we have discovered, not least through the consultation, that what is seemingly a fairly simple intervention—let us standardise service charges and make them more transparent—is actually incredibly complex. As we switch the whole system over to put in place a single approach across the country, we have to work through and ensure that we get it right. The risk is getting it wrong and creating a system that is not properly thought through.

Chair: We have quite a number of questions, colleagues, so please make them shorter.

Q208 **Chris Curtis:** On the trade-off between peppering Best's recommendations, or doing a full Best piece of legislation, the argument for doing the former would be the length of time, or possibly even getting parliamentary time to do the latter. Do you have a sense of how long we



HOUSE OF COMMONS

might be waiting to get a full piece of legislation, regardless of whether we do bits in this piece of legislation?

Matthew Pennycook: I do not have a clear timeline that I can share with you, not least because I cannot pre-empt this King's Speech, let alone future King's Speeches.

Q209 **Chris Curtis:** But it is unlikely to be in this King's Speech.

Matthew Pennycook: There is not a chance on earth that I can confirm what is in the King's Speech to this Committee today. I am sorry.

Chair: It is written already, Minister.

Matthew Pennycook: On the principle you raise, that is one of the considerations in the timeline for impact. There is a world in which we could get a number of discrete managing agent provisions into this draft Bill, and that would be switched on at the point that we receive Royal Assent, and any secondary legislation required.

If we take a standalone Bill, as a general point of principle, that is likely to take longer than getting specific provisions into this Bill, but treating it as a single package may be the right way to do it. That is certainly what Lord Best and Mr Beales, who has a private Member's Bill on this issue, would like us to do.

As you will see, if you have had a look at that private Member's Bill, that is not a small piece of legislation on its own, nor ROPA as a whole. One of the challenges with ROPA is that it cuts across different issues—it includes managing agents, estate agents and property agents in the round. Again, there is a choice here for the Government to make, and it is one where—not that I am not interested in every particular issue—I am very interested to hear your views about what colleagues across Parliament think is the most appropriate way forward.

Chris Curtis: The difficulty with that though is we are having to make that decision without information on the trade-off—that is, the timing and the ability to get a future piece of legislation.

Matthew Pennycook: A future piece of legislation would be slower than this one obviously, which is before us.

Chris Curtis: Sure, but without knowing how much slower that second piece of legislation would be, it is very difficult for us to make a judgment.

Matthew Pennycook: I will weigh that up and make a judgment, but it will be good to have your general view.

Q210 **Chair:** That's good. Obviously, Minister, we are very happy about, and commend the Government on, the successful defence of the relevant measures in the High Court in July, following the legal challenge to LAFRA. In written correspondence to us, Minister, you outlined that you would come back to us on the consultation on valuation rates on enfranchisement premiums, but we have still not had that.



HOUSE OF COMMONS

Matthew Pennycook: That will be forthcoming in the coming months. The important point here is that we will go out to consult on the capitalisation and deferment rates, which, as you know, under the 2024 Act the Secretary of State sets. I just want to make the point which I have tried to stress on previous occasions: we could have consulted on those rates in September 2024, and we still would not have been able to switch on the enfranchisement provisions in the 2024 Act, because it has a small set of specific and serious flaws that we need to fix through primary legislation.

Q211 **Chair:** Do you think you will be in the position to have the corrections in the final Bill ?

Matthew Pennycook: It is my preference and my intention to include those fixes in this Bill, subject to receiving collective agreement and getting that through the process of the King's Speech. The point I am trying to make is that the valuation rates consultation is not the constraint to switching on those provisions. It is the flaws in the Bill—flaws that Baron Gove and other Ministers were aware of when they let the Bill go through wash-up in the last Parliament, and we were not aware of until we entered office. However, we have to fix them. That is the hard constraint on switching those on.

We will do the valuation consultation in good time to be able to switch those on. There was an interaction with the High Court case that needed thinking through. We obviously robustly defended that case, and it was comprehensively dismissed. I just make the point that I have seen people argue time and again that we are dragging our feet because we are not doing the valuation rates consultation, and that is why we have not switched on. That is not the constraint here.

Q212 **Chair:** We will come back to that hopefully as we progress. One of the other things is that there could be a likelihood, in terms of discussing some areas and looking at interests of the freeholders, of this draft legislation being subject to another judicial review once passed. I just wanted to know some of the thinking from you and officials about any contingency plans, because we do not want a long process, in essence, where this legislation is delayed, coming back to what we outlined regarding the long wait for many leaseholders.

Matthew Pennycook: What is the question?

Chair: Is the Department looking at any contingency plans?

Matthew Pennycook: Our contingency plan would be to robustly contest the legal action, as we robustly contested the challenge to the 2024 Act provisions. It is about as simple as that. It does not really go beyond that, so responding to the nature of the specific legal challenge that may or may not come. I fully expect one to come, let's be clear. This is a particularly litigious area.

Chair: You are ready for it?

Matthew Pennycook: We will be ready for it. We will robustly challenge it, as we did that to the 2024 Act. I go back to the fact that we want to see these reforms in place as quickly as possible. That is why, returning to the particular choices we have made on ground rents, it is to the lasting benefit of leaseholders to ensure that all the reforms we are alighting on through the final substantive Bill are deliverable and defensible and allow us to get it in place as quickly as possible.

Q213 **Chair:** But if the claimants get permission to appeal, that could drag on for many years. It could go to the Court of Appeal or Supreme Court. What would happen in the interim to the many leaseholders who have been waiting? They will get caught up in this and will be equally as frustrated as the Government.

Matthew Pennycook: What are you asking me?

Chair: Are the Government ready to deal with that, full force?

Matthew Pennycook: We would obviously robustly defend an appeal case as well, yes.

Q214 **Maya Ellis:** We have some questions about commonhold associations. One of the interesting things that has come through in the evidence is concerns and questions about how we will support people as they move to a new working, where they have to work with their neighbours in a way they might not have had to before. What guidance will the Government publish to ensure that unit owners have access to complete information to make fair, informed decisions in commonhold associations?

Matthew Pennycook: Let me give you a top line, and then Caroline and Rachel can come in. We expect to issue guidance on a whole suite of issues relating to commonhold. The industry is already preparing its own guidance. We want to work closely with it to ensure that it is properly integrated with our efforts, but there will be all the appropriate guidance in place to ensure that the provisions of the Bill operate effectively.

Caroline Crowther: It is worth saying that this is the Bill for the commonhold, but this is a whole cultural change. We are setting up a new tenure, we are reinvigorating it, so our work with the whole sector is hugely important to us. We have already worked with the sector extensively on the development of proposals in the Bill, but we will be turning our eye to implementation, so working with developers, conveyancers and so on. That is very much part of having a good and robust implementation plan. We will work with the sector to do that. Government cannot do it all themselves. We will work with all the parties that have an interest in this.

Q215 **Maya Ellis:** Where do you think the key education is going to have to sit? Is it in the conversation when someone is engaging with a solicitor and a conveyancer? Does it have to be earlier? Is it in schools, in public education?

Caroline Crowther: I am always an advocate for starting in schools. I do think it is right through the systems. You would start with developers and

conveyancers—I think the conveyancers and the Land Registry are critical here—but I would argue it is the whole sector.

Q216 Maya Ellis: Just some small specific questions. One thing that was raised is whether commonhold associations risk falling foul of time limits on technical breaches of company law. Should tribunals have the power to waive those breaches that do not affect the result of decisions in commonhold associations? I think the broad principle was raised in one of the previous sessions around some of those technicalities, where everyday people are coming into a situation where they are essentially subject to company law. How are we going to help them to navigate that?

Rachel Rayner: I would add here that having resident-led management in the form of a company is not unique to commonhold. It is also the case for resident management companies and right-to-manage companies, that are registered under Companies House. Yes, we can pick up on the exact technicalities, but in terms of the broad principle, the nature of a commonhold association was something that the Law Commission considered, which we considered in the course of making the legislation, and we concluded that this was the right model.

Q217 Maya Ellis: So essentially it is already happening to some extent, and it is just that we are broadening it? The question remains that if we are broadening it, is there a need for broader education around that?

Caroline Crowther: We would also use our Leasehold Advisory Service, which will have quite a key role to play in educating leaseholders and potential commonholders about the shift. It would have a critical role there.

Rachel Rayner: The one point I would add is that commonhold, by its nature, is also more prescriptive. It is designed specifically for the collective management of buildings. You have the commonhold community statement, which sets out all the core provisions. There will be local rules for individual blocks, and a host of guidance specifically designed to support people. The provisions set out in the Bill are by their nature designed to support people, and obviously we need to layer the guidance on top of that, but the structure in and of itself is designed to be easier to navigate.

Matthew Pennycook: To Rachel's point, this is one of those areas where we looked closely at what the Law Commission said. It explored whether commonhold associations could exist as another form of corporate structure or a bespoke corporate body, and ultimately decided that the appropriate balance lay with retaining it as a company limited by guarantee, which, as I said, is not an unusual arrangement.

Q218 Maya Ellis: The last question from me relates to a specific example that has come up around the quorum that has created wider concern. I think the example that came from Battersea Dogs and Cats Home was that you could have a 20% quorum—a small group of residents actually in attendance—and 75% of them could vote in support of, for example, a ban on pets in the building. How do you expect the guidance to help residents

to navigate a situation like that?

Rachel Rayner: This is partly why minority protections are built into the redesigned framework, so that where decisions are made by a commonhold association that have a significant impact on one of the members, they have the ability to go to the tribunal to take a view on some of that.

Q219 **Mr Dillon:** Minister, would you expect the tribunal to give consideration to other legislation, for example the Renters' Rights Act, in relation to people's right to have pets? In one tenure group, you say people absolutely have that right, and in the other one, residents could vote not to have pets, and it is then up to a tribunal to make that decision.

Matthew Pennycook: We would not guide the tribunal to look at specific factors. The tribunal has the expertise to make those decisions and a range of powers, but I take the point about pets, which I have heard strong views on from various people.

Q220 **Sarah Smith:** The Government have obviously made a clear commitment to commonhold becoming the default tenure for flat ownership, but why does the Bill not make commonhold the default outcome of a collective enfranchisement? Should leaseholders have to explicitly vote for the conversion?

Rachel Rayner: There is obviously a threshold vote for deciding to convert, which we set at 50% in the Bill. Obviously, that is a reduction from 100% in the old commonhold framework, so the Bill is designed to make conversion easier to access. In terms of mandatory conversion, I think our position is that, at this stage of reform, we want to give consumers the choice whether to convert to share of freehold in the first instance, and then whether to take the step of conversion to commonhold—although we anticipate that, as the model beds in, commonhold will become more attractive to people who are in the position of wanting to take control of their own buildings.

Matthew Pennycook: That is the point. We want to give people the maximal range of options here. We think there are advantages and benefits that commonhold offers over share of freehold, but it is up to people in the buildings themselves as to what option they want to take forward. Over time, I would hope—this goes to the point I made in my opening statement about what we mean by ending the system—that the process for conversion is sufficiently easy, and commonhold as an alternative form of home ownership is sufficiently attractive, that we see a significant proportion of existing buildings convert over.

Q221 **Sarah Smith:** Has consideration been given to how non-participating leaseholders might contribute to the cost of collective enfranchisement if they choose to join the commonhold at a later date?

Rachel Rayner: The conversion process is one of the more complex aspects of the Bill. The Bill includes a power where we can set a price payable for buying into the commonhold at a later date. That is something that does not currently exist on the enfranchisement side. I know that it

has come up in a number of the Committee's evidence sessions, but what that looks like and how it works will obviously require some careful consideration, although the Bill does provide for that option to be available.

Q222 Sarah Smith: Should freeholders be required to disclose information about the building safety status as part of the enfranchisement process, so that the leaseholders are fully aware of the liabilities that they may be assuming?

Matthew Pennycook: Our advice in all these instances would be to obtain legal advice, not least from the Government-supported Leasehold Advisory Service, as to the particular circumstances. But you are talking about disclosure just as a requirement for enfranchisement?

Sarah Smith: Yes, specifically on building safety, because obviously it continues to be such a huge issue.

Matthew Pennycook: Are we talking about this Bill or are we talking as a general point?

Q223 Sarah Smith: I don't know whether it would fall within this Bill or be part of the future legislation that you bring through, but while you are outlining the process for conversion for those who might be considering it, there is arguably a case for providing specific protection on building safety when it remains such a huge concern and challenge.

Caroline Crowther: Our hope would be that freeholders do disclose the remaining building safety liabilities. As the Minister said, we would always encourage leaseholders to take legal advice on it, just so they can understand the remaining liabilities as they move into commonhold.

Q224 Sarah Smith: But it would be dependent on them getting that legal advice.

Caroline Crowther: It would, yes.

Q225 Chris Curtis: I am going to come back to some questions on freehold, if that is all right—I know you mentioned some of these points in your previous responses. At the time of the King's Speech, a policy paper said that the draft Bill would "bring the injustice of 'freehold' private estates and unfair costs to an end." I think it is fair to say that this legislation probably does not do that, and you have laid out reasonable reasons why it will be covered elsewhere. To approach my previous question from a slightly different angle, what commitment would you now like to make to my constituents in these freehold properties about when and how the Government will address their concerns?

Matthew Pennycook: We do want to address their concerns and the injustices that many of them face. In the development of this draft Bill, we have looked at what specific provisions we can bring forward. Obviously, we have brought some forward—the Bill is not silent on private estates, on freehold estates, and rent charges provisions are in there—but as you know, we are also taking forward publication of two consultations late last



HOUSE OF COMMONS

year, on switching on the consumer protection provisions in the 2024 Act and the more thorny issue, if you like, of how we reduce the prevalence of these estates over time.

I see the Government's approach to freehold as a three-legged stool. You have got the immediate consumer protections that we can switch on fairly quickly—although again, we are establishing a new regulatory framework, so it is not an overnight thing. Then there is the very important issue of control, which the Law Commission's work is exploring. There were debates in the last Parliament about whether you could just copy and paste over a right to manage for freehold estates. It is not quite as simple as that, so again, we have asked the Law Commission to look at what the best answer is. Then there is the issue of prevalence over time, which is more challenging. There are trade-offs that the consultation engages with, but again, it will be something that we deal with in this Parliament, as part of those wider manifesto commitments.

Q226 Chris Curtis: Are you reasonably confident that more primary legislation will be required to make the changes necessary to fulfil the commitment to bring the injustice of freehold private estates and unfair costs to an end?

Matthew Pennycook: I don't think I can sit here and make that commitment now. I think partly we need to see, particularly on the prevalence issue, what comes out of the consultation.

Q227 Chris Curtis: In terms of timings, are you broadly thinking that you will wait for the next round of Law Commission work to come back before making a decision on what further legislation is required and then putting that forward?

Matthew Pennycook: If you will excuse me, Mr Curtis, this is all extremely hypothetical. We have two consultations that got a significant amount of feedback. We have the Law Commission work on whether there is an appropriate form of enhanced residential freeholder control of freehold estates and what it would be. We have to see what comes out of that before I can say whether it needs legislation.

Q228 Chris Curtis: There is some concern among some people we speak to about whether moving forward with the process that I set out, and you maybe agreed with, of waiting for the Law Commission to come back and then moving forward with legislation off the back of that would push us into the next Parliament. I am trying to get at whether you think that is a risk and, therefore, whether we should consider what we can do in this Parliament, given the argument that we are otherwise unlikely to get to that in this Parliament.

Matthew Pennycook: I will bring officials in here. I do not think I can answer that today. I do not know the Law Commission's recommended approach on this point. It comes back to what you mean by ending the injustice of freehold. I would say that at the point that we switch on new consumer protections, we are taking action. We will take action to reduce the prevalence of private estates, and it will happen in this Parliament, but let's see what comes out of that. We will have honoured our manifesto

commitment in that respect. It depends on what you think the solution is. You can tell me, and I can tell you my view on it.

Q229 Chris Curtis: At the very least, I think we all broadly agree on setting up a regulator for managing agents at some point. If that requires primary legislation and that primary legislation will not come until the Law Commission comes back and there is a chance that this goes into the next Parliament, there is an argument—

Matthew Pennycook: You are conflating a number of quite distinct issues. We have managing agent reform, which the 2019 Lord Best report dealt with. We have a piece of Law Commission work on right to manage, or what the variant of right to manage might be.

Q230 Chris Curtis: Sure, but a big part of the injustice of what is happening on leasehold estates is the behaviour of managing agents acting in an unregulated way.

Matthew Pennycook: I agree. I refer you to my previous answers on managing agents. We are very clear that we are going to deal with that.

Q231 Chris Curtis: If this Committee decides that there is a chance the new primary legislation will not come forward in this Parliament, is it reasonable to argue for regulation of managing agents to be included in this legislation to help those on private leasehold estates?

Matthew Pennycook: We will strengthen the regulation of managing agents in this Parliament. If that requires primary legislation or inclusion in this Bill, that is what we will do.

Q232 Chair: Thank you for the clarity on that, Minister. One of the issues that often comes up is shared owners. A number of them have raised concerns. As you know, shared ownership is not compatible with the current legal framework on leasehold. Shared owners have expressed to us their concerns about whether they would have a vote in a leasehold association during the initial 10-year repair period. What are the specified purposes in secondary legislation for shared owners to exercise the right to vote?

Matthew Pennycook: Secondary legislation in what respect?

Q233 Chair: When registered providers are not there, how would that right be exercised?

Matthew Pennycook: Without reading out the guidance we have published and the explanatory notes, the operation of the relevant clauses is a matter of public record. In general, what we have tried to do with shared owners is make them a permitted lease within leasehold. It is one of the key ways we have updated the leasehold legal framework to account for shared owners in this respect.

As we discussed, the rights and obligations that would pertain to shared owners in a leasehold setting are in a sense not dissimilar from those of non-contributing leaseholders, but I think you are driving at a different issue, Chair. I am not clear on what question I am being asked.

Q234 **Chair:** So shared owners will continue to be leaseholders?

Matthew Pennycook: And they become permitted leases within commonhold through the provisions in the Bill.

Q235 **Chair:** What assurances can you give shared owners that this legislation, as it stands, will not present any new challenges for them going forward?

Caroline Crowther: The shared owner provider will continue to be involved in decision making in the first 10 years on big repairs or anything that affects liabilities, but the rest of the decisions can be delegated by the provider to the shared owner. The shared owner will have much more say in a lot of the decisions that happen within the commonhold block than they do currently. That will be an improvement on the current position, but some decisions will have to be retained by the provider, in terms of the first 10 years of repairs and any major liabilities.

Matthew Pennycook: And the provider can choose to confer commonhold membership rights on the shared owner. That will not be automatic, but again, it is in line with the Law Commission's recommendations in that respect.

Q236 **Andrew Cooper:** When you eventually introduce this Bill, on First Reading will you be able to publish a draft of that secondary legislation so that it will be clear to the social housing sector and to current shared owners what you mean precisely by "specified purposes"? That way, while the legislation is going through Parliament, everybody knows up front what the registered provider and what the shared owner will have votes on. Will you be able to provide that level of clarity on First Reading—or certainly by Second Reading?

Chair: The draft Bill does not set out what that purpose would be.

Matthew Pennycook: No, and like any piece of legislation, lots of secondary legislation is required to enact it. I cannot sit here and give you a commitment that we will publish the draft SI on the day we publish the substantive Bill.

Q237 **Chair:** So shared owners' concerns will continue until we have—

Matthew Pennycook: As with every aspect of the Bill, the more clarity we provide and the quicker we provide it, the better. We will of course do so, but with all the various moving parts that that entails, I cannot sit here and say that we will definitely have a substantive draft SI at the point at which we lay the substantive Bill.

Caroline Crowther: It is worth saying that in the development of secondary legislation, as in the draft Bill, we will all work with stakeholders so that we work through those issues. I want to give that assurance.

Rachel Rayner: I think that the Bill and the accompanying tools set out the principles on shared ownership relatively clearly, which are that we want shared owners to be full participating members of a commonhold association. That is one of the key reasons why we made the changes that



HOUSE OF COMMONS

we have in the law. Caroline alluded to some specific scenarios where there will be a split between providers and shared owners, but the underlying principle is that they will be full participating members.

Q238 Chair: I fully appreciate that, and I think that shared owners do as well. But we want to reiterate the concerns that they have raised around having a situation where shared owners will not have a vote on matters that are going to impact them mentally, physically and financially within that 10-year period. I am sure that you are taking that into consideration.

Matthew Pennycook: Absolutely, and that will guide the preparation of the relevant SI.

Q239 Sarah Smith: Apologies, Chair, I should have said at the start on the record that I am a leaseholder. On behalf of those watching today, I want to understand a bit more. Going back to my previous question, how will the Government promote awareness of commonhold and ensure that leaseholders have access to the advice they need on the conversion process?

Caroline Crowther: I think I said this briefly, but in developing the Bill, we have worked with everybody involved. In terms of preparing future commonholders, we will work closely with developers because they are hugely important to people's decision to buy a commonhold property. We will also work with conveyancers and lenders. In Government bodies, we will ensure that the Land Registry is well equipped and set up to take on this change, and that LEASE is as well, to provide advice to existing leaseholders and future commonholders.

Matthew Pennycook: It is probably worth saying that as the Bill progresses, LEASE, as a Government-supported service, will provide regular updates to consumers on what it means for them going forward.

Q240 Sarah Smith: I absolutely recognise the huge effort that has gone into engaging the sector as widely as possible. The truth is that the man or woman who is currently a leaseholder quite naturally has not been able to be as close to it. It is not that they do not have the capability or that people do not want this opportunity to take control of their own properties, but it is complex.

We basically heard from lawyers that people just have to pay more. When we tried to challenge some of the lawyers that appeared before the Committee on some of the failures that have been reported, specifically around conveyancing, the response was that people have to pay more, which clearly probably isn't enough for them. To push a little further, the chair of the Leasehold Advisory Service said that they would not be converting on day one, I guess because there is an element of risk to being in the earlier conversions and they recognised the complexity of it.

Matthew Pennycook: I think that was said in a personal capacity, rather than as the chair of LEASE—it should have been, because otherwise it would have been blurring the lines between two roles.

Q241 Sarah Smith: I take that point. If we refer to the record, he said that

specifically in his role—

Chair: In his own block.

Sarah Smith: In his own block, yes.

Matthew Pennycook: Yes, so he was speaking in a personal capacity.

Sarah Smith: But I think that highlights the need to equip, support and advise people on this. Do you agree that it could be risky for the first blocks to convert for those leaseholders?

Matthew Pennycook: “Risky” is not the word that I would use.

Caroline Crowther: Obviously, every block is very different, and every leaseholder in a block has a different appetite for moving to commonhold. Some people will be comfortable with their current arrangements, and some will not—it just depends. The Government’s role is to prepare the sector for change and to provide advice and guidance through LEASE, the Land Registry and other Government bodies. It is now incumbent on us to prepare the sector for the change, and we will do so with the robust implementation plan.

We will work with the sector. Government cannot do this on their own; we will also rely on lenders and conveyancers to guide potential commonholders in the future. We are absolutely aware that this is a big cultural change: the law is one thing, and legal change is hugely important, but it is not the end of the story. Driving that cultural change will be hugely important.

Matthew Pennycook: It is worth my noting, as a Minister, the extent to which we can direct LEASE. Obviously, helping consumers to get ready for commonhold is a huge part of what LEASE will need to do over the coming years. I will formalise that direction in my 2026-27 chair’s letter to it, because, among other things, that is a huge part of what it needs to do, and needs to do well.

Rachel Rayner: Although I will not go so far as to say that conversion to commonhold is completely straightforward, it is not designed to be a costly or overly complex process. It is primarily about registering the relevant products with the Land Registry. Obviously, it depends on prior enfranchisement, which, as you know, comes with great costs, but the process of converting to commonhold and the work we are doing with HMLR in particular will be designed to make that as easy as possible.

Q242 **Sarah Smith:** Can you say anything further about what specifically you are doing with conveyancers and solicitors to prepare them for the change?

Matthew Pennycook: As a general point, the information needs of buyers under commonhold will not be wholly dissimilar to the needs of buyers in resident-led leasehold blocks, which are already a feature of the housing market. We expect this process to be simpler and quicker than that for leasehold flats, once it is bedded in—there will obviously be a

transition period. Is there anything we can say on engagement with conveyancers or the conveyancing industry?

Rachel Rayner: We are engaging: we have done so as part of policy development for the Bill, and we will continue to do so. We know that industry groups, including conveyancers and others, will develop their own guidance, and we will support that to make sure that it is complementary. As you say, it is a whole-system approach, in terms of determining its success.

Chair: Some of the concerns that we heard when we challenged Land Registry were about their slowness in recognising and moving into the digital age. I hope that those discussions are happening, because that session was an eye-opener for us on whether the Land Registry is ready for the changes.

If Mr Cocking were here, he would ask about the conveyancing process for leaseholders and the pack where some of the costs and fees are blurred and hidden, unless you look through in great detail what you are going to be liable for as a leaseholder. It is really welcome to know that the Government are working with the sector to prepare people to not just be a leaseholder but be responsible for the day-to-day management and financing of their block or flat. We do not want to have people saying that they were mis-sold and were not fully aware of what they were taking on as commonhold.

Matthew Pennycook: There is that angle, and having a managing agent regulatory framework that ensures that where managing agents are still managing those blocks, that is being done effectively. Chair, you have had ongoing engagement with the Department over this Bill. There is a number of technical questions about the consumer element of commonhold, which we are obviously more than willing to provide further information on.

Chair: That would be helpful. Thank you, Minister.

Q243 **Sean Woodcock:** Minister, on 27 January the Government launched a consultation on banning leasehold for new flats, which is obviously looking at the scope and the timings; it closes on 24 April. Without prejudicing the outcome, based on what you have heard from the industry over the last couple of weeks as well as your personal thoughts, what sort of timeline are we looking at? What would your preferred timeline be? Obviously, that is not in the Bill.

Matthew Pennycook: We need to analyse the feedback to the consultation. What we are trying to get at and elicit views on is the potential risk of disruption, what that looks like in specific terms, and what exemptions are required. To go back to the general point, we want these things in place as quickly as possible. A corresponding element is that we are not going to switch on the leasehold house ban, which is in the '24 Act, until this measure can be switched on, so that they are aligned. There is a particular issue for those in houses too. On timelines, I do not think there is anything more that we can say at this stage.

Rachel Rayner: No, beyond saying that we want the reformed commonhold framework to be operational before the flat ban comes into force. We want it to be set up and ready to deliver, but as you say, Minister, decisions on transition will be informed by that consultation.

Q244 **Sean Woodcock:** Is the intention that it will be within this Parliament?

Matthew Pennycook: In terms of actually switching on the ban, that decision has not yet been made.

Q245 **Sean Woodcock:** So potentially not then.

Matthew Pennycook: As I said—this is what the consultation was designed to elicit—we have to weigh up whether there will be a significant impact on housing supply, for example, which would mean that the transition has to look a certain way, rather than another way.

Q246 **Sean Woodcock:** But there is the potential that the ban on new leasehold flats may not be in operation before the next Parliament.

Matthew Pennycook: Mr Woodcock, I don't want to give the public the impression that that is our intention. It is not.

Sean Woodcock: No, sure.

Matthew Pennycook: We just have not made a decision yet.

Q247 **Sean Woodcock:** You have touched on supply. Is there a view that it could impact on the 1.5 million homes target and the supply?

Matthew Pennycook: One of the things that we want to get at is that, as I think the Committee would acknowledge, developers and other parts of the market will need time to familiarise themselves with the commonhold model and what that means. This is quite a big transition. That is why we are seeking views on transitional arrangements and the timing of the ban so that we can have the smoothest possible journey from one to the other. That will inform our decision. I am sure—I suppose we can say this without giving away the consultation responses—that the impact on supply will be a feature of lots of the representations that we receive as part of the consultation.

Rachel Rayner: I know it is very limited, but commonhold does already exist, although it is obviously not widespread. In a sense, the product is sold almost tenure neutral. We need to make sure people are familiar with it and understand it, but I don't think tenure in and of itself—

Q248 **Sean Woodcock:** We heard evidence on 10 March from Philip Rainey KC, who said that, unless there is a sunset clause, it is unlikely that you will get a high degree of take-up of commonhold. So my query is whether it will be pushed back and back, and the intention of the Bill will not be matched by the outcome.

Matthew Pennycook: What do you mean by the take-up?

Q249 **Sean Woodcock:** This was referring to the previous Act—the 2002 Act.

The fact that there was no sunset clause had an impact on take-up.

Rachel Rayner: That is why the Bill includes the statutory provisions on the sale of new flats. It is precisely to address that. The failure of the 2002 model to take off properly has informed the decision to include this in the current Bill.

Q250 **Sean Woodcock:** That is why the timeline question is so important.

Matthew Pennycook: I absolutely acknowledge that when it comes in is important. It is also important that we get a smooth transition. In the very high-level conversations that I have had with developers—we have had roundtables on this issue—none has said, “Please don’t do this. You will be taking us into a world where we can’t operate.” The concerns have been centred on the timeline, the transition and how we ensure the process and the switchover are as smooth as possible. Doing it in an ill-planned and hasty way could have an impact on supply. It is certainly one of the things that we are alive to and want to explore, and that is partly why we launched a consultation alongside.

Q251 **Mr Dillon:** I think you have covered parts of this in answering previous questions, but this is a summation question. Through this draft Bill and LAFRA, what changes do you expect to deliver for leaseholders by the end of the Parliament? You have touched on quite a few throughout your answers, but this is maybe a chance for you to sum it up.

Matthew Pennycook: What is the easiest way to sum it up? That is a big question. Let me approach it by going back to those opening remarks about what we mean by “end”. I take Mr Woodcock’s point about precisely when you switch on some of the provisions, but once this legislation is in place, commonhold will be the default tenure going forward.

Q252 **Mr Dillon:** So what do you expect to deliver for leaseholders by the end of this Parliament? That question includes what will be switched on by the end of the Parliament as well. It is in your gift, not a new Minister’s—

Matthew Pennycook: It is actually in your gift because you can help me get the Bill through.

Mr Dillon: We will if you make the changes we suggest.

Matthew Pennycook: I do not want to sound obtuse, but I cannot tell you when the substantive Bill will receive Royal Assent or when each piece of secondary legislation will be enacted; the timelines are variable. In my oral statement when introducing the draft Bill, I gave an estimate of 2028 for some of the provisions, such as those on ground rent. If we can pull that forward, I would love that. I would love to switch these things on as quickly as possible.

In general terms, what we expect to be in place for leaseholders to benefit from by the end of the Parliament is a range of greater rights and protections including the abolition of forfeiture, the ground rent cap, service charge standardisation and transparency—all the benefits that, as limited as it was, the 2024 Act provides for. We will make the existing



HOUSE OF COMMONS

leasehold system work more effectively. If people do not want to convert, they can remain under leasehold ownership and can enfranchise. It comes back to Ms Smith's point that we want a range of options open.

Through the measures in this Bill and further legislation, we will end the system, in a sense. To the extent that leasehold is not abolished overnight, and will be with us for some time to come, it will wither on the vine. I think the incentives will be in place to ensure that, in lots of cases, people convert and we see a more wholesale switchover to commonhold.

What we have tried to do with the Bill, as Rachel said, is avoid all the mistakes that were made with the previous legislation on commonhold, where there was a voluntary element and the legal framework did not work for a variety of reasons. To say we have not seen wide take-up is an understatement; there are 18 commonholds in existence. We have tried to design the legislation to ensure that that is the big thrust of what goes forward.

Q253 Chair: I am digressing a bit and abusing my position as Chair, but I want to come back to the announcements about new towns. You kindly came to our one-off session earlier in the year where I asked about the strategic environmental assessment, and you will remember that you outlined that no decisions on sites will be taken until the SEA reports are concluded. Can you give us an update on when we will see the SEA reports? Will they be accompanied by any final decisions from your Department in the spring?

Matthew Pennycook: We published consultation on the draft programme and the SEA yesterday. Are you aware of that? No, you were not aware.

Chair: My apologies, I missed that.

Matthew Pennycook: We published it yesterday. With a view to making decisions on final sites and the scope of the programme in the summer, we are now asking for views, in a brief consultation published yesterday, on the programme itself and seven proposed sites to take forward out of the 12 recommended to us by the new towns taskforce. But through that process, we have to consider any reasonable alternatives to those seven sites that might exist, from both a wider list and from the five that we are not taking forward.

Q254 Chair: In terms of those, are there specific further sites that you will be looking at for the SEA, or is it just within the scope of the 12 recommended in the initial report?

Matthew Pennycook: We are proposing to take forward seven sites from the new towns 12. As part of the consultation process that we launched yesterday and the SEA, we are obliged to consider reasonable alternatives. In terms of looking at those reasonable alternatives—I think I detailed this to the Committee previously—we looked at the sites that the new towns taskforce recommended, the wider list of sites in the call for evidence, and other sites that Homes England was already aware of. We looked at a

huge range of sites and whether they met our objectives and should be considered once this process is finalised by the summer.

Q255 Chair: I hear you on that, but, in essence, does that undermine the independent process that you asked the taskforce to carry out, in terms of recommending a series of sites, if you are going to be looking at and considering alternative sites?

Matthew Pennycook: The simple answer to that is that it is just a part of the SEA and programme consultation process under the relevant legislation that we have to consider reasonable alternatives. I do not think it undermines the independence of the new towns taskforce. When we established it, we did not say to the independent new towns taskforce that we will under all circumstances take forward whatever it proposes. We said to recommend sites to us; we have done our own assessment of those 12 sites, and we have taken forward the seven that we think most closely adhere to our objectives—giving us the most benefits in terms of tackling the housing crisis, addressing housing need, and unleashing economic growth.

If you look at the consultation we published yesterday, we set out in quite considerable detail why we have chosen the seven sites that we have, and why we have not taken forward the others. I should say, partly on the basis of some of the commentary that I saw yesterday, the fact that we have proposed not to take forward five of the sites does not mean that those sites will not be built out. I fully expect them to be taken forward through other routes. In the case of Plymouth in particular, we highlighted in the report that it needs special treatment and bespoke support, including financial support from Government, because of the potential down there and the national security requirement of ensuring that housing is not a constraint on having the skilled workforce that we need in place.

Chair: Thank you for coming before the Committee, Minister, and to the two officials. We are still hopeful that it is your intention to introduce a Bill as soon as possible in the next parliamentary session. I remind people that our online survey is still open; it closes on 31 March. To date, we have received over 5,000 responses. There is a lot of interest in this very technical and large Bill. We want to ensure that the Bill is right and that it brings to an end the feudal leasehold system.