PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

LEASEHOLD REFORM (GROUND RENT) BILL [*LORDS*]

First Sitting

Tuesday 7 December 2021

(Morning)

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not later than

Saturday 11 December 2021

The Committee consisted of the following Members:

Chairs: Julie Elliott, † Mr Philip Hollobone

† Aiken, Nickie *(Cities of London and Westminster)* (Con)
† Amesbury, Mike *(Weaver Vale)* (Lab)
† Byrne, Ian *(Liverpool, West Derby)* (Lab)
† Colburn, Elliot *(Carshalton and Wallington)* (Con)
† Eagle, Maria *(Garston and Halewood)* (Lab)
Gideon, Jo *(Stoke-on-Trent Central)* (Con)
† Greenwood, Lilian *(Nottingham South)* (Lab)
† Greenwood, Margaret *(Wirral West)* (Lab)
† Grundy, James *(Leigh)* (Con)
† Hudson, Dr Neil *(Penrith and The Border)* (Con)
† Hughes, Eddie *(Parliamentary Under-Secretary of State for Levelling Up, Housing and Communities)*
† Long Bailey, Rebecca *(Salford and Eccles)* (Lab)
† Mann, Scott *(Lord Commissioner of Her Majesty's Treasury)*
† Mortimer, Jill *(Hartlepool)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Vickers, Martin *(Cleethorpes)* (Con)
† Young, Jacob *(Redcar)* (Con)

Huw Yardley, Bradley Albrow, *Committee Clerks*

† **attended the Committee**

Public Bill Committee

Tuesday 7 December 2021

(Morning)

[Mr Philip Hollobone *in the Chair*]

Leasehold Reform (Ground Rent) Bill [*Lords*]

9.25 am

The Chair: Before we begin, I have a few preliminary announcements that I am required to read out by Mr Speaker. I remind Members that they are expected to wear a face covering except when speaking or if they are exempt. That is in line with the recommendations of the House of Commons Commission. Please also give each other and members of staff space when seated and when entering and leaving the room. I remind Members that they are asked by the House to have a covid lateral flow test twice a week if coming on to the parliamentary estate. That can be done at the testing centre in the House or at home. *Hansard* colleagues would be grateful if Members emailed any speaking notes to hansardnotes@parliament.uk. Please switch electronic devices to silent. Tea and coffee are not allowed during sittings.

I first call the Minister to move the programme motion standing in his name, which was discussed yesterday by the Programming Sub-Committee for the Bill.

Ordered,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 7 December) meet—

(a) at 2.00 pm on Tuesday 7 December;

(b) at 11.30 am and 2.00 pm on Thursday 9 December;

(2) the proceedings shall be taken in the following order: Clauses 1 to 13; Schedule; Clauses 14 to 27; new Clauses; new Schedules; remaining proceedings on the Bill;

(3) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 9 December.—*(Eddie Hughes.)*

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Eddie Hughes.)*

The Chair: Copies of written evidence that the Committee receives will be made available in the room and will be circulated to Members by email.

We now begin line-by-line consideration of the Bill. The selection list for today's sitting is available in the room and shows how the selected amendments have been grouped for debate. Grouped amendments are generally on the same or a similar issue. Please note that decisions on amendments take place not in the order in which they are debated, but in the order in which they appear on the amendment paper. The selection and grouping list shows the order of debates. Decisions on each amendment are taken when we come to the clause to which the amendment relates.

A Member who has put their name to the lead amendment in a group is called first. Other Members are then free to catch my eye to speak to all or any of the amendments in that group. A Member may speak more than once in a single debate. At the end of a debate on a group of amendments, I shall call the Member who moved the lead amendment again. Before they sit down, they will need to indicate whether they wish to withdraw the amendment or seek a decision. If any Member wishes to press any other amendment in a group to a vote, they need to let me know.

Clause 1

Regulated leases

The Parliamentary Under-Secretary of State for Levelling Up, Housing and Communities (Eddie Hughes): I beg to move amendment 1, in clause 1, page 1, line 9, at end insert—

"(but see subsection (5)).".

This amendment inserts a reference to the new subsection inserted by Amendment 2.

The Chair: With this it will be convenient to discuss the following:

Government amendment 2.

Clause stand part.

New clause 1—*Ground rent for existing long leases*—

"Within 30 days of the day on which this Act comes into force, the Secretary of State must publish draft legislation to restrict ground rents on all existing long residential leases to a peppercorn."

This new clause aims to ensure that the Government introduces further legislation to remove ground rent for all leaseholders, whereas the Act currently only applies to newly established leases.

Eddie Hughes: It is a pleasure to serve under your chairmanship, Mr Hollobone, and to see the hon. Member for Weaver Vale still in his place following recent moves.

Government amendments 1 and 2, and Government amendments 3 to 5, which we will come to later, relate to the process known as a deemed surrender and regrant. For the benefit of those who are not experts in property law, me included, when the extent of the demise is changed—for example, where an extension is made to a property or to correct an error, or where there is an extension to the term of a lease—the lease is deemed to be surrendered and regranted to the leaseholder.

Government amendments 1 and 2 provide further protection for leaseholders in situations where that happens. Taken together, the two amendments disapply the requirement for a premium to be paid when a regulated lease or a lease granted before the Bill's commencement day has been surrendered and regranted. In other words, a lease can have a peppercorn rent under this legislation after it has been regranted even if no new premium is paid.

Without these amendments, there is a significant risk that a previously regulated lease could cease to be regulated, leaving leaseholders to pay a potentially significant premium for a simple change, such as correcting an error within the lease, or leaving them to pay a ground rent. It might be helpful if I provided an example of such a situation. If a future leaseholder were to seek the correction of an error in their regulated lease and there was no premium charge for that correction, the

Bill, as currently drafted, means that the lease would no longer be considered a regulated lease and therefore the peppercorn requirement would not be applicable to that newly corrected lease.

Amendments 1 and 2 will remove the requirement for a premium to have been paid for regulated and pre-commencement leases subject to a surrender and regrant, in order for the peppercorn rent to be applied. These amendments and the clarifications in amendments 3, 4 and 5 ensure that the Bill does not have unintended consequences when there is a deemed surrender and regrant and that there is fairness in the system for leaseholders and freeholders.

Mike Amesbury (Weaver Vale) (Lab): It is a pleasure to serve under your chairmanship once again, Mr Hollobone, and to respond to the Minister. We have spent considerable time over the last few weeks, in Committee and at Second Reading, discussing vital issues of building safety and leasehold reform. These technical and tidying amendments make perfect sense. They address the potential of leasees paying a premium if this was not put in place, so the Opposition certainly welcome this.

I have one question on the potential for informal lease arrangements to sit outside the scope of the Bill. What reassurance can we give those still caught in the leasehold feudal system that there is provision to tackle this element of the industry?

Eddie Hughes: I thank the hon. Member for his support and for that question. My understanding is that the process through which leases will be regulated as part of the Bill would afford the opportunity for clarification of the informal leases to which he refers.

Maria Eagle (Garston and Halewood) (Lab) *rose—*

The Chair: Order. Mr Amesbury, are you still speaking, or have you finished speaking?

Mike Amesbury: I have finished speaking, yes.

The Chair: So you did not give way to the Minister? Do you want to speak on new clause 1 in this group of amendments?

Mike Amesbury: No, I was allowing my good colleague the hon. Member for Garston and Halewood to speak.

The Chair: So the Minister has the Floor and has given way to the hon. Lady.

Maria Eagle: I am grateful to you, Mr Hollobone. It is a pleasure to serve under your chairmanship. It is early in the morning, and therefore perfectly possible that I was wrong about my hon. Friend's intention. Can the Minister clarify that the main intent of these provisions is to prevent those who perhaps used to be able to charge ground rent on new leases but who, following the enactment of the Bill, will only be able to charge a peppercorn if they wish to collect it, having a not very realistic, false way of getting around the Bill by deemed surrender and then reissue? Is that the main intent of these provisions? Obviously, if he had thought about this kind of trick being played when the Bill was originally drafted, he would have included something in that drafting, but it is always good to think again about the way in which people may seek to get around provisions. Have I got it right? Is that the main intent of these provisions?

Eddie Hughes: I can completely confirm that that is absolutely the main intent.

Amendment 1 agreed to.

Amendment made: 2, in clause 1, page 1, line 16, at end insert—

"(5) Where there is a deemed surrender and regrant by virtue of the variation of a lease which is—

(a) a regulated lease, or

(b) a lease granted before the relevant commencement day,

subsection (1) applies as if paragraph (b) were omitted.".—*(Eddie Hughes.)*

This amendment provides that where there is a deemed surrender and regrant of a regulated lease or a pre-commencement lease, the new lease may be a regulated lease even if it is not granted for a premium.

Clause 1, as amended, agreed to.

Clause 2

EXCEPTED LEASES

Question proposed, That the clause stand part of the Bill.

Eddie Hughes: Thank you, Mr Hollobone—*[Interruption.]*

The Chair: The Minister is now speaking to clause 2 stand part.

Eddie Hughes: Thank you. I was. I appreciate that it is not my job to be concerned on behalf of the Opposition, but I felt that there could have been some early morning settling into the rhythm of the Committee. The hon. Member for Weaver Vale may have missed the opportunity to speak to new clause 1—*[Interruption.]*

The Chair: Order. I actually asked the hon. Gentleman quite clearly whether he wished to speak to new clause 1, and he decided that he did not. We are now debating clause 2 stand part.

Mike Amesbury: Sorry. I made a mistake. I do apologise, Mr Hollobone. I thought you said clause 1.

The Chair: Because that particular opportunity was missed, we will ungroup—very kindly, on the Clerk's advice—new clause 1 from that first group. When we come back to new clause 1 later in proceedings, the hon. Gentleman will have a chance to speak to it. His opportunity will come; it just has not come when we thought it would. We are now debating clause 2 stand part.

Eddie Hughes: You are very kind, Mr Hollobone. Clause 2 will be of significant interest as it sets out those leases not regulated by the Bill. We have taken care to tightly define these, as we are aware that any loopholes might lead to abuse of the system and a monetary ground rent being charged where we had not intended it. I will consider each of the exceptions in turn.

[Eddie Hughes]

First, subsections (1) to (3) detail how business leases will be excepted. It is important that a commercial lease that contains a dwelling, such as for a shop or other business, can continue to operate as now, and that landlords of such buildings are not disadvantaged. Businesses are also likely to prefer to pay some form of rent rather than a premium for the use of the property. However, we also need to protect residential leaseholders from any argument by a landlord that a ground rent is payable because of the possibility of a business use. For that reason, subsection (1)(a) states that the lease must expressly permit the premises under the lease to be used for business purposes without further consent from the landlord.

In our response to the technical consultation on ground rent, published in June 2019, we committed that mixed-use leases would not be subject to a peppercorn rent. The example given was a flat above a shop, where these are both on the same lease. In such instances, it would be important that a commercial rent can continue to be paid, to reflect the business use of part of the building. However, we wish to ensure that the Bill does not result in a plethora of mixed-use leases that are to all intents dwellings but where the tenant pays a monetary ground rent. For this reason, subsection (1)(b) requires that, for such leases, the use of the premises as a dwelling must significantly contribute to the business purposes.

The Bill also includes provision to make sure that both parties intend and are aware of this business-use component of the lease. Subsection (1)(c) achieves this by requiring that the landlord and tenant exchange written notices at or before the lease is granted confirming the intention to use and continue to use the premises for the business purposes set out in the lease. The form of this notice will be prescribed in forthcoming regulations. Subsection (3) defines business as including a trade, profession or employment, but not a home business as under the Landlord and Tenant Act 1954.

Statutory lease extensions for flats are already required to be at a peppercorn rent, so we have excepted them from the requirements of the Bill in order to avoid duplication. We will come to so-called voluntary lease extensions for flats when we consider clause 6. Statutory lease extensions for houses are required by legislation to be for 50 years for payment of no premium, but for a modern ground rent, which is typically higher than a peppercorn. Were the Bill to require that rent to be only a peppercorn, we would deprive the landlord of income for the granting of the lease extension. For that reason, those extensions are exempted from the Bill. However, we intend to return to the wider question of enfranchisement in future legislation. Our changes to the enfranchisement valuation process, including abolishing marriage value and prescribing rates, will result in substantial savings for some leaseholders, particularly those with less than 80 years left on their lease. The length of a statutory lease extension will increase to 990 years, from 90 years for flats and 50 years for houses.

I will turn now to community housing leases and other specialist products that we do not want to compromise. Community housing schemes promote the supply of new housing to meet local need where residents contribute towards the cost of shared community services. The use of ground rent in those cases is very different from ground rent for long residential leases where no clear service is provided in return. As we have done throughout clause 2, we have taken care to tightly define community housing leases to ensure that that exception applies only where intended. It covers long leases where the landlord is a community land trust, or the lease is a dwelling in a building that is controlled or managed by a co-operative society. We expect that to cover all deserving dwellings. We have also made provision, should it be needed, to add further conditions to those definitions in order to close a loophole should one be identified in future.

The clause also exempts certain financial products in cases where a form of rent is needed for the product to operate as intended. Subsection (9) defines them as regulated home reversion plans and homes bought using a rent to buy arrangement. It is important that those specialist financial products can continue, maximising choice for homeowners over how they finance their property purchase.

Maria Eagle: I think that many people who get involved in rent to buy perhaps do not understand that they may be excluded from that provision. I notice that the Minister is securing for himself some capacity to make regulations in future in relation to those particular types of leases. Could he give the Committee an indication of what kinds of regulations he anticipates will be made under the power that the Bill will grant him in respect of those particular kinds of rent to buy leases?

Eddie Hughes: I am embarrassed to say that I cannot, and the reason is that we do not know what the loopholes might be. We have a clever bunch of people who seek to avoid legislation. It will be helpful for the Government to be able to make such changes as might be necessary depending on the inventiveness of the people we deal with in future.

Maria Eagle: I am grateful to the Minister; it is remarkably honest of him to say that he does not know. One does not always hear that from Ministers, but am I getting the sense that the intent is to ensure that there is not some kind of workaround to the regulations and to the law, and that the intention is to protect those who have taken out rent to buy plans from oppressive provisions by landlords to charge some kind of ground rent, which the Bill is seeking to get rid of generally?

Eddie Hughes: On the intent, there are some financial products that we have exempted because the structure of their operation is dependent on the continuation of rent payments, but the opportunity is to make regulation in the future should people, for example, pretend to be something they are not, or try to do so. If we have the opportunity to close that down, I think that will be the intention. I feel that the hon. Lady could be building a case for future interventions—we will see. I think she is gathering evidence.

Subsection (9)(a) is clear that in order to benefit from this exemption, home reversion plan products must be regulated by the Financial Conduct Authority. Subsection (10) defines a rent to buy arrangement, ensuring that arrangements such as Sharia mortgages are able to continue. It is important that the Bill enables legitimate activities that require payment of a rent to

continue, which clause 2 does in a carefully considered way that has been informed by detailed consultation. The clause is drafted to enable such activities but with tight definitions, ensuring that the clause is not used by landlords to charge a ground rent by the back door.

9.45 am

Mike Amesbury: I thank the Minister for his explanation. I understand the exemptions and I am pleased that they are limited in scope. What reassurance can he give that there will be no unintended consequences in community housing, for example? He referred to ground rent as a means of recovering service charges. That has been a problem for the industry over a considerable number of years.

Eddie Hughes: It is important to point out that the Bill does not cover service charges. In the other areas that we are talking about, ground rent is paid for no discernible benefit in return, but in a community land trust there is the benefit of a shared endeavour to create high-quality community housing, so I do not think the hon. Gentleman's concern applies.

Question put and agreed to.

Clause 2 accordingly ordered to stand part of the Bill.

Clause 3

PROHIBITED RENT

Question proposed, That the clause stand part of the Bill.

Eddie Hughes: Clause 3 prohibits a landlord from requiring a leaseholder to make a payment of a prohibited rent. Subsection (2) defines that as making a request that the leaseholder make the payment, and/or having received a payment of prohibited rent, failing to return it within 28 days. To ensure that landlords are held accountable for their actions, we have made a conscious decision to include current and former landlords in the Bill. That will ensure that our enforcement measures, which are detailed later in the Bill, can be used in circumstances where a landlord has sold their interest in the property.

Having focused on landlords, I now turn to those we are seeking to protect. I am sure that the Committee will agree that the protective reach of the Bill should extend beyond current leaseholders who remain leaseholders when the wrongful payment is identified. A leaseholder who has sold the lease, for example, should none the less be able to seek redress if they subsequently realise that their former lease contained a prohibited rent. That is why subsection (3) ensures that the protections afforded to leaseholders also apply to previous leaseholders, a person acting on behalf of a leaseholder, and a leaseholder's guarantor.

Clause 3 is the foundation for restricting unjustifiable rents for future regulated leases.

Maria Eagle: What limitations will there be on the provisions? Are we talking about the limitation in contract law? How long would a former landlord be under obligation to repay a prohibited payment that he had required, and how long would the former tenant be able to recover it? It is unusual to see a provision stating that

"references to a landlord include a person who has ceased to be a landlord",

but there is usually some limitation to the liability. Does the Minister have an answer for that?

Eddie Hughes: I am worried that my candid responses to questions are going to get me in trouble, but the honest answer is that I do not know what the limitation is. I will write to the hon. Lady to let her know.

Maria Eagle: I am grateful.

Eddie Hughes: I strongly suspect, however, that the very clever team behind me will provide the answer, and that I will be able to inform the hon. Lady during discussions on a subsequent clause.

The Chair: Please copy in the whole Committee to that correspondence if it is necessary.

Question put and agreed to.

Clause 3 accordingly ordered to stand part of the Bill.

Clause 4

PERMITTED RENT: GENERAL RULE

Question proposed, That the clause stand part of the Bill.

Eddie Hughes: Clause 4 introduces the general rule for regulated leases that the permitted rent is an annual rent of one peppercorn. The effect of that is that no monetary rent will be payable in respect of most leases regulated by the Bill.

Clause 4(1) provides that this general rule is subject to clauses 5 and 6, which set out special rules on permitted rent applicable to shared ownership properties and replacement leases respectively. Use of a peppercorn rent is common practice; for example, it is used in statutory lease extensions for flats. A peppercorn is simply a token or nominal rent that in practice is not collected. The purpose of clause 4 is to protect leaseholders from being charged inappropriate rents by landlords.

Jill Mortimer (Hartlepool) (Con): Does my hon. Friend agree that the Bill will help my constituents who have suffered in recent years from rising and excessive ground rents, and will help to prevent people from falling into the leasehold tenancy trap that we have also seen in recent years?

Eddie Hughes: The Bill will help to ensure that new long leases granted subsequent to the Bill's coming into force are set at a peppercorn rate—so, with no financial value associated with them.

Maria Eagle: Does the Minister accept that none the less the Bill, welcome as it is, does not help existing tenants who have already signed leases for which ground rent is payable?

Eddie Hughes: The hon. Lady is quite right. The intended purpose of the Bill, very tightly drafted as it is, is to ensure that we draw a line in the sand by ensuring that new leases in the future have a peppercorn rate. I commend the clause to the Committee.

Mike Amesbury: I thank the Minister for his brief explanation. As my hon. Friend the Member for Garston and Halewood quite elaborately argued, this Bill is not about the many; it is just about the new. There are 1.5 million people who will still be in this system, many of whom write to us asking for us to advocate for them in this place. It is a particular issue in the north and north-west, and Wales. This Bill will do nothing for those people. In addition there is a plethora of complexities associated with the Bill—service charges, interesting management fees and so on—which we have spoken about at considerable length. So, while the Bill is welcome, it is narrow in scope and certainly does not deal with the situation here and now.

Maria Eagle: I very much welcome the intent of the Bill, which is to replace the standard charging of ground rent of real monetary value to leaseholders with a peppercorn rent. I welcome that very much; it is an entirely good and proper reform. Anybody who has had to deal with land law over the years—whether as a lawyer, or just as an MP trying to advise constituents—knows just how complicated it is to change these ancient and difficult land law provisions, which go back to feudal times in many ways and which very much have case law behind them. As we can see from this simple Bill alone, significant provisions have to be added to do the simplest things. I have every sympathy with the Minister, who has a record of trying to grapple with the complexities of English land law since he was Back Bencher. It is by no means easy.

I welcome, generally, clause 4, which reduces to a mere peppercorn the ground rent that is chargeable for new leaseholders. That is entirely to be welcomed. However, I want to set out to the Minister the difficulties that many of my constituents have. Thousands of them have in the last few years bought leasehold houses. This is particularly an issue in the north-west. As my hon. Friend the Member for Weaver Vale rightly said, there has arisen a penchant for selling newly built, often detached houses as leasehold properties. That has, and can only have been to enable the freehold—the reversionary interest—to be turned into a financial product that, over years, often decades, provides a stream of income for whoever retains the reversionary interest, who is often not the original developer or builder of the properties. It is sold on in financial markets to those who are interested in long-term investments providing a stream of income.

Many of my constituents, trapped in such leases, had no idea when they bought the houses that that would be the case, and that they would owe obligations for decades to whoever held the reversionary interest. They had absolutely no idea that the person who held the reversionary interest could change, and that it would be traded on financial markets and bought by people who wanted to exploit to the maximum the provision for income generation over years. The Bill, unfortunately, does not help any of my constituents who are stuck in such provision.

I am entirely in favour of changing that provision by means of the Bill, which I welcome, but there is an argument to say that the Bill actually makes things startlingly worse for those already trapped in such leasehold provisions that have ground rent and sometimes accelerated ground rent. It makes starker the fact that it is anomalous. I have many constituents on a number of estates across my constituency of Garston and Halewood who are finding it difficult to sell their properties. They have suddenly realised that they do not own a house, as they thought they did, but that they are renting it.

I am extremely anxious that the Minister does not rest on his laurels, having got this complicated piece of simple legislation through the House and on to the statute book, but that he realises that there is so much more to do to assist those who are stuck—particularly in my constituency and in the north-west—in newly built houses that they now find they do not really own. They are being financially exploited by remote owners of a reversionary interest that will endure for perhaps 99 or 999 years.

Lilian Greenwood (Nottingham South) (Lab): Does my hon. Friend agree that the Bill, by doing the right thing for new houses, will actually make the situation even worse for those who are in existing houses, because potential entrants into the housing market will choose to buy a new leasehold house that is covered by these provisions, rather than a house that her constituent may wish to sell that is under the existing provision?

Maria Eagle: That is the very concern that I have. It not only shines a light on the dilemma and the problems of current leaseholders, who will not be covered by these provisions, but sets theirs up as an anomalous set of arrangements. Until the Minister comes back with legislation to change more thoroughly what has happened in existing cases, which I know will be difficult, these people will be in a more difficult position than they currently are. Not only will they have the ongoing financial burden of the exploitative provisions that have grown up, particularly in the north-west of England, but they will find themselves left behind. The danger is that the Minister may have to move on to other legislation of concern in his Department, and may find that doing something for existing leaseholders is very difficult in land law terms. I know it is difficult to change existing leases by statute.

10 am

Mike Amesbury: On Second Reading, my right hon. Friend the Member for Alyn and Deeside (Mark Tami) highlighted the issue that could arise where, within a single development, on one side of the road would be properties built in its first phase, under the current arrangements, and on the other side of the road properties built in the next phase, under the new arrangements. It is simply inequitable. When people come to market, which property will they purchase? The Minister is familiar with these issues, and my hon. Friend the Member for Garston and Halewood is right that they need tackling, despite the difficulty.

Maria Eagle: I have every sympathy with that point because I know of examples in my constituency. In the past few years, as these egregious excesses were coming to light and before legislation could be drafted, the Government have tried to impress upon developers that they should not do this kind of thing, and there have been voluntary arrangements. House builders have made voluntary arrangements, sometimes midway through the completion of a phased development, such that some buyers of properties built in the early phases of a development have had to pay ground rent, or accelerating ground rent, service charges and some of the other

things that have not been dealt with in this legislation, but in later phases that has not been the case; so there is a difference between properties—even those built to the same design in different phases of one development.

One could say that caveat emptor is the basis of land law in England. It is indeed: "Let the buyer beware." However, I have a lot of sympathy with constituents of mine who were rushed into buying a property so that they could access Help to Buy, who were first-time buyers, who had not done a degree in English land law before they sought to become homeowners—which, let us face it, is most people—and who relied upon the advice they were given. I have many criticisms of the legal profession and the solicitors—even conveyancers—who advised some of my constituents, because it seems to me that there has been a potential failing, in some cases, there.

In any case, the Minister has come to this, wanting to do something about it—indeed he has drawn a line in the sand, as he said—but he must not forget those individuals that, in drawing the line, he has not helped, and who may in fact find their predicament more starkly highlighted, and may find it more difficult to move on and sell the property that they now have than they would have done without this legislation.

Margaret Greenwood (Wirral West) (Lab): My hon. Friend is making excellent points. Does she agree that there is a real human cost to this? I know of people living in my constituency who have properties elsewhere in the country, predominantly in the south, who decided to move back to Wirral because that is where they are from, only to discover that they are struggling to sell their properties. Quite often such moves are to look after an elderly family member or for similar reasons, so time is of the essence. Does she agree that we have to remember the human cost?

Maria Eagle: I very much agree with my hon. Friend. I have come across many instances myself. Perhaps a young couple, just starting out in life and on the housing ladder, wanting to be able to trade up in time when they start their family, suddenly find that they cannot because their home—their leasehold home—is of pariah status and they find it difficult to persuade somebody else to buy it. I worry that this legislation, welcome though it is—it is a good step: I emphasise that to the Minister—shines a starker light on the predicament that these people are in. It is therefore incumbent upon the Minister and the Government, who have been talking about this issue for a number of years—I am trying to be kind, Mr Hollobone—to come back swiftly with effective and challenging legislation that will do something for the people who are already stuck in this mess.

What we cannot do is say, "Oh, it's all too difficult." It is difficult, but as lawmakers, we are here to solve these problems. I will give every support to the Minister if he can come back, ignoring the lawyers who tell him that it is all too terribly difficult and nothing can possibly be done that would not tear up our entire English land law system of trading land. Something can and must be done. He will have my support if he comes back with much fuller legislation to deal with the existing problems of those who are already caught in this situation. Peppercorns are great. Perhaps we can have retrospective peppercornery.

Nickie Aiken (Cities of London and Westminster) (Con): It is a pleasure to have you as Chair of the Committee, Mr Hollobone. I welcome the Bill and the Government's obvious determination to ensure that buyers of new developments will be protected from what I can only describe as dodgy practices.

Having looked into the issue before coming to Committee, and knowing bits and pieces from the media coverage of this story in recent years, I find it shocking that property developers and renowned house builders have thought it acceptable to expect families or individuals buying a property—we all know how expensive that can be; people save for years to have enough for a deposit—to be hit with a ground rent that they do not know is going to double and double over the years. I absolutely welcome the Minister's determination to stop that practice.

I call on house builders across the nation to think about the consequences of such practices on their customers, and their future customers. I know that a number of house builders have taken steps to stop this practice. I believe that the Competition and Markets Authority is carrying out an investigation and that some, but not enough, house builders have stopped the practice voluntarily. That is why I am glad that the Bill will protect us in the future.

I was taken aback by the fact that the chief executive of Redrow, a renowned house builder, said in a letter to the then Select Committee on Housing, Communities and Local Government that ground rent of £400 per year would not always necessarily double over 10 years, but in fact could reach £12,800 a year. For the average family, the idea of trying to find that amount of money is eye-watering. Even people on good salaries would find that amount punitive. I absolutely welcome the Bill. We must regulate to safeguard hard-working families who want to invest in homes.

Mike Amesbury: I have no doubt that members across the Committee agree with much of what the hon. Lady says, but these measures are for the future, not for the here and now. The CMA investigation is very welcome, as is the work by the Select Committee and all the campaigners who have helped to force the issue, but many people are still applying these practices. Welcome though they are, these are baby steps.

Nickie Aiken: I thank the hon. Member for his intervention; I was coming to that point. In my constituency—the Cities of London and Westminster—many leaseholders live in properties with much older tenancies that involve ground rent. I believe the vast majority are on peppercorn. I have lived in the two Cities for 25 years, as a leaseholder and now, I am glad to say, as a freeholder. There is a massive benefit to being a freeholder, even though I own a flat.

The hon. Gentleman is right, and I am sure that this Government and this Minister will be looking at legislation that can protect all leaseholders, no matter what kind of tenancy they have. I understand that the renters reform Bill will be coming through, which will be a massive step towards creating a balance between tenants and landlords. This Bill and any further legislation that the Government consider on leasehold are about balance and fairness. I welcome the Minister's taking forward this Bill and future legislation to protect leaseholders.

Eddie Hughes: The hon. Member for Garston and Halewood referred to my previous interest in this subject as a Back-Bench MP. It is an incredible privilege to have championed changes in this area and now to be the Minister responsible for it. I can assure her that my enthusiasm for greater reform is not diminished in any way by my having the opportunity to, at least, begin the legislative process now.

I have a huge degree of sympathy with the cases that have been raised by hon. Members on both sides of the room. It is incumbent upon us, as a Government, to ensure that we do not rest on our laurels, but continue to push and be bold with legislation in the future. Certainly, that has been the case with regard to things that have been said by our previous and current Secretaries of State. The current Secretary of State is determined to be bold and ambitious in all things for which he has responsibility, and I would like to think that we will have further discussions about this subject early in the new year.

Maria Eagle: I am glad to hear it. Does the Minister expect more legislation in this Session?

Eddie Hughes: It is above my pay grade to make those sorts of decisions, but I will be working very closely—

Maria Eagle: Go on.

Eddie Hughes: Perhaps one day they will make me Secretary of State and I will be able to make those decisions myself, Mr Hollobone—don't laugh. As I said, it is our intention to come forward with proposals, so we will be talking again in the new year and discussing this in detail.

Mike Amesbury *rose—*

Dr Neil Hudson (Penrith and The Border) (Con) *rose—*

The Chair: We will hear first from Mr Amesbury and then Dr Hudson.

Mike Amesbury: On a point of clarity, will the legislation apply to properties that are currently being built, whether they are in Birmingham, Westminster or Manchester? Will the narrow scope of the one peppercorn policy apply to properties that are being built, but are not yet completed?

Eddie Hughes: As I referred to in the discussions about previous clauses, I believe that the legislation will apply once it has been enacted following Royal Assent, so it will apply to new contracts that come into force once the Act is in force. It would not necessarily apply to a property that is being bought today. It will apply only once the law has been enacted. We will have Royal Assent, legislation will be provided and then it will be enacted.

Lilian Greenwood *rose—*

The Chair: Minister, you have the floor and you decide who you give way to.

Eddie Hughes: Sorry, Mr Hollobone. I thought you had already decided that you were going to call my hon. Friend the Member for Penrith and The Border (Dr Hudson) next.

The Chair: As the Chair, it is not for me to call people but for the person who has the floor to decide who they will give way to.

Eddie Hughes: I defer to you in all things, Mr Hollobone, and I feel better educated. I give way to my hon. Friend the Member for Penrith and The Border.

Dr Hudson: It is great privilege to serve under your chairmanship, Mr Hollobone. I welcome the Minister's comments and the Bill, as well as the constructive comments from the Opposition. We are all on the same page and think that this constructive Bill is a small step towards correcting future injustices.

I take on board the complexities for people in the existing system, but in respect of the comments made by my hon. Friend the Member for Cities of London and Westminster, does the Minister agree that if we can get the Bill through, it will shine a spotlight on developers that have existing leaseholders and they may well reflect, so this Bill for new leaseholders might create some retrospective good will? It is a start, and I welcome the comment from the Minister that we can try to address things moving forward. I very much welcome the Bill, and I hope that it will start to address some of the retrospective issues indirectly.

10.15 am

Eddie Hughes: My hon. Friend makes an important point. The Government are signalling strong intent by virtue of introducing the Bill, which backs up the suggestions we have made previously about our intent. With regards to other pronouncements that the Government have made, I think people will rightly expect that legislation will follow in due course. My hon. Friend is completely right.

Lilian Greenwood: I wish to follow up on the question asked by my hon. Friend the Member for Garston and Halewood. Clearly, the Bill will apply only from the date that it receives Royal Assent. Is the Minister concerned that some developers that have acted in unscrupulous ways that the Bill is designed to prevent will see the deadline of Royal Assent as an opportunity to place more people in the position that has been outlined by my hon. Friends and Government Members? Developers might try to get in before the deadline of Royal Assent, rather than taking the message that these sorts of leaseholds should not be offered and are inappropriate. What discussions has the Minister had with developers, and what sense does he have of whether people will act opportunistically?

Eddie Hughes: I thank the hon. Lady for her contribution but, fortunately, the evidence does not back up the concern she has voiced. We saw a prevalence of this type of construction. That has peaked, and now its popularity is decreasing, so we already see that developers understand that, effectively, the game is up and the world has moved on. I would like to think that, thanks to the efforts of hon. Members in this room, we are publicising the Bill and our constituents will become better informed as a result of our contributions to the debate. Hopefully, that will serve to protect them.

Mike Amesbury: Some developers have responded to the change in landscape and enforcement action with strong encouragement, but others out there have not done so. My hon. Friend the Member for Nottingham South is correct to say that this is another opportunity to get developments erected as soon as possible. We need only look at the skylines across our cities to see that happening, and some developers will want to continue with that cash cow at the expense of leaseholders. It is a real fear, and I would certainly welcome a Government assessment of the impact in that transitional period.

Eddie Hughes: As I said in answer to the previous question, we can already see—not just now, but over the previous few years—that there has been a rapid decrease in the number of properties being constructed and subsequently sold in this way, so the hon. Gentleman should feel reassured that the Government's intended legislation is already having an incredibly positive effect.

Nickie Aiken: Following the previous point, does the Minister agree that the conduct of house builders such as Countryside Properties, which has voluntarily agreed to remove the doubling of ground rents from its leasehold contracts, is a step forward? The Home Builders Federation or another trade body should be working with its members to take that forward, as Countryside Properties and others have done, but too many house builders are still not doing so. Perhaps the CMA review will help, but perhaps the Bill will send a clear message to house builders that, actually, they should be looking at their own practices before they are made to do so by the legislation.

Eddie Hughes: I can say nothing other than that I completely agree with my hon. Friend's comments.

Maria Eagle *rose—*

Eddie Hughes: I will give way, but I think we need to make progress.

Maria Eagle: We have to have proper scrutiny. There has been a general hope expressed by the hon. Members for Penrith and The Border and for Cities of London and Westminster that this legislation, rather than highlighting the difficulties existing leaseholders have and putting them in a more difficult position, may promote better behaviour towards existing leaseholders from those who are in a position to exploit them. We hope that that will be the case. Do the Government collect any figures that they might publish to enable us to see whether there is the positive impact hoped for by Conservative Members? Does the Minister have any figures that show that is the case—or are we just crossing our fingers and hoping?

Eddie Hughes: The figures are already publicly available.

Question put and agreed to.

Clause 4 accordingly ordered to stand part of the Bill.

Clause 5

Permitted rent: shared ownership leases

Mike Amesbury: I beg to move amendment 11, in clause 5, page 4, line 7, at end insert ", unless subsection (2A) applies".

This is a paving amendment for Amendment 13

The Chair: With this it will be convenient to discuss amendment 13, in clause 5, page 4, line 7, at end insert—

"(2A) Where a landlord charges a service charge more than £100 per month, the permitted rent in respect of the landlord's share in the demised premises is a peppercorn."

This amendment provides that a landlord of a shared ownership property may not charge ground rent in respect of the landlord's share if service charges exceed £100 per month.

Mike Amesbury: The amendments were tabled to raise the issue of the often sky-high service charges in shared ownership property—often with little given back in return. I could list any number of examples and am confident that other Members in the room could as well. The Minister will have heard, as I did, the many stories about the extortionate costs faced by shared owners, other leaseholders and social housing residents. The errors are often only exposed when residents, facing costs they cannot afford, lobby hard for information and transparency.

We have heard it all: service charges for shared owners in Kent tripling in one year; leaseholders in Essex being charged £4,275, plus VAT, per year for ground maintenance, when a local landscaping company quoted £660 per year for the same work—something that I discussed with my hon. Friend the Member for Garston and Halewood only this morning; and leaseholders in south London being charged over 400% more for their cleaning costs than they were in 2013. I know that inflation is increasing at the moment but—my God—not by that level. To get in the Christmas spirit, a rather festive example stood out to me in the *Financial Times*, which published an article over the summer about residents in central London being charged £200,000 for Christmas lights, without being consulted in advance.

Those costs impact on leaseholders, and some social housing tenants as well. For shared owners, a particular concern is being charged 100% of the service costs while only owning a small portion of the property. We have seen that up and down the country through the building safety scandal and historical remediation costs. The Opposition welcome the narrow scope of the Bill on peppercorn ground rents, but the fear is that there will be other means or opportunities to rake in the money, and to continue treating leaseholders as a cash cow.

Eddie Hughes: Clause 5 is essential if the Bill is to avoid creating unintended consequences for future shared ownership leases. It will protect leaseholders by ensuring that they pay only a peppercorn rent on their share of the property, but it will also allow landlords to collect a monetary rent on their own share. Without the clause, landlords could not collect a monetary rent on the share of the property that is rented.

Clause 5 applies to qualifying shared ownership leases. Subsection (4) defines a qualifying shared ownership lease as one in which the tenant's share of the premises is less than 100%. Subsection (7) clarifies that, in a situation in which a shared ownership lease does not distinguish between rent on the tenant's share and rent on the landlord's share, any rent payable under the lease is to be treated as payable in respect of the landlord's share. Subsection (8) means that the clause no longer applies if clause 6 applies. For example, if the leaseholder undertakes a so-called voluntary lease extension in regard to a shared ownership lease, where the leaseholder

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chooses to enter into a new lease that replaces an existing lease outside the statutory lease extension process, the treatment of that is dealt with under clause 6. We will consider clause 6 shortly.

Clause 5 ensures that the shared ownership model can continue to operate for new leases.

The Chair: Order. The Minister is meant to be speaking about the amendment rather than the clause. Does he have any more comments about the amendment?

Eddie Hughes: I was about to continue my contribution.

The Chair: About the clause or the amendments?

Eddie Hughes: About the amendments, Mr Hollobone. Amendments 11 and 13, tabled by the hon. Member for Weaver Vale, seek to reduce the payment of rent on a shared ownership property. Shared owners are leaseholders of a share of their property. Most shared ownership properties fall within the terms of the Government's shared ownership scheme, and the providers will be registered with the Regulator of Social Housing. In the Government's existing shared ownership scheme, owners have a full repairing lease and are financially responsible for all maintenance charges and outgoings in the same way that any other homeowner is.

On 1 April, the Government confirmed the new model for shared ownership, which introduces a 10-year period during which the landlord will support the cost of repairs and maintenance on new build homes. Under the shared ownership model, landlords can collect rent on their share of the property, and I reiterate that the Bill will allow them to continue to do so. The payment of rent reflects the fact that the shared owner has purchased a share of their home, and pays rent on the remaining share, which is owned by their landlord. The rent paid is not the same as the service charge paid for repairs and maintenance previously described.

The effect of amendments 11 and 13 would be to remove the ability of a landlord to receive the rent that they are rightly due on the share of the property that the leaseholder rents in cases in which the service charge is more than £100 per month. The law is clear that service charges must be reasonable and that, where costs relate to work or services, the work or services must be of a reasonable standard.

Nickie Aiken: I just wish to mention service charges in central London, as the hon. Member for Weaver Vale did. I am very aware of extortionate service charges in central London, particularly for private blocks. Service charges of £100,000 are not unknown, but the properties in those cases are worth around £35 million; I suggest that, if someone can afford to buy a £35 million flat, they may be able to afford a £100,000 service charge. However, the hon. Member for Weaver Vale makes an important point, and I would like the Minister to consider it. We must not put all service charges into the same pot. We have to ensure that homes within the community—rent to buy, social housing and community housing—are different from very expensive properties. We cannot put them all into the same position. We must give landlords the ability to charge a fair service charge that is in keeping with the value of the home. There has to be a balance. There is a big difference between a £35 million flat and a rent-to-buy property.

10.30 am

Eddie Hughes: I completely understand my hon. Friend's point, and I appreciate the extenuating circumstances that might apply to some of the properties in her constituency. We certainly do not experience that in Walsall North.

The amendments proposed by the hon. Member for Weaver Vale would be unfair to shared ownership landlords and would therefore undermine confidence in the sector. I urge the hon. Member to withdraw his amendment.

Mike Amesbury: The evidence out there grows by the week. There is a genuine fear that landlords, freeholders and developers will look for other opportunities in response to the legislation. We already see those service charges up and down the country. I know it is a particular issue in London and the south-east, but every city across the country has seen some interesting non-transparent service charges—that includes estates and houses.

Maria Eagle: Does my hon. Friend agree that it is important that the Committee prevents the inclusion of loopholes in the Bill that could be widened by clever lawyers and then exploited by developers and those with a financial interest in keeping things as they are? His proposals are trying to prevent loopholes from being left in this admirable but small piece of legislation.

Mike Amesbury: I concur. That is exactly my point. I know that a similar amendment was tabled in the other place, as the Minister will be aware. We certainly need reassurance. There are lots of good intentions from the Minister and his Department with regard to this legislation, but we need to look at every opportunity to close those loopholes. I would like to have further discussions as the Bill continues its parliamentary journey—it is a conversation we need to continue. However, in that spirit, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Mike Amesbury: I beg to move amendment 12, in clause 5, page 4, line 7, at end insert ", unless subsection (2B) applies".

This is a paving amendment for Amendment 14.

The Chair: With this it will be convenient to discuss amendment 14, in clause 5, page 4, line 7, at end insert—

"(2B) Where a landlord charges any remedial costs during the course of the lease, the permitted rent in respect of the landlord's share in the demised premises is a peppercorn."

This amendment provides that a landlord of a shared ownership property may not charge ground rent in respect of the landlord's share if any remedial costs are charged.

Mike Amesbury: Taken together, the amendments revisit a question that I have posed to Ministers many a time in previous debates in Committee, on Second Reading and so forth: what about the costs of remediation for leaseholders? It is something we are all familiar

with—here in Committee and well beyond—in particular for leaseholders caught in the scandal. We are of course waiting for the next stage of the Building Safety Bill—Report—in the Commons after spending many weeks in Committee. I see the Minister and some other familiar faces. While we wait, hundreds of thousands of leaseholders are receiving bills for astronomical amounts of money to remediate dangerously cladded housing. The cost is for more than cladding, as many people know—there are missing fire breaks, wooden balconies and so forth. Some of the bills top £100,000. I know my hon. Friend the Member for Salford and Eccles—a not too far distant neighbour—is very familiar with those kinds of bills in her constituency.

The cost of remediation on shared owners' shoulders can equal the value of their share of the property. Again, shared ownership leaseholders are too often charged 100% of the remediation cost for properties that they own only a small proportion of. Meanwhile, the associated costs of the building safety crisis, such as waking watch and insurance premiums continue to go up—we have examples of 1,000% and 1,400% right across the country. Despite repeated promises from Ministers—at my last count we were at 19 if I include the new Secretary of State—the issue is very much ongoing.

The amendment will not solve the problem. The Opposition have repeatedly set out a plan to get the building safety crisis fixed and ensure that developers, not leaseholders, bear the brunt of the costs. I am interested in the recent language from the Secretary of State in that regard. He seems to say some of the right things—there are some warm words—but we are now desperate for action. The amendment would at least ensure that shared ownership leaseholders cannot be charged for ground rents while they are also being charged for remediation work, taking one of the many costs of the crisis off their shoulders. I look forward to the Minister's response.

Lilian Greenwood: I certainly recognise the situation that my hon. Friend describes. I have a large number of constituents living in flats and being asked to pay astronomical costs for the remediation of their properties for which they bear no responsibility. Will he clarify whether the amendment would apply only where remediation costs are unfairly distributed between the freeholder and leaseholder, or would it apply in all situations where leaseholders are being asked to pay remediation costs?

Mike Amesbury: My hon. Friend makes a very good point. This is about historical remediation costs, but it is a good point to raise. I look forward to the Minister's response.

Eddie Hughes: Amendments 12 and 14, proposed by the hon. Member for Weaver Vale, seek to reduce the payment of rent on a shared ownership property in different circumstances. As I have said, in the Government's existing shared ownership scheme, owners have a full repairing lease and pay rent on the landlord's share of the property. The role of ensuring that the fabric of the building is maintained and safe for residents is an essential part of the relationship between landlord, leaseholder and, in some cases, a managing agent. Reasonable service charges remain the proper and accountable way through which landlords should recover costs for maintaining a building and provision of services.

I reiterate that the Bill is focused entirely on the issue of ground rents, so remediation costs are outside its scope. The Building Safety Bill is the appropriate legislative mechanism for addressing remediation, as it contains the appropriately detailed legislation for a complex issue of this nature. I ask the hon. Member to withdraw the amendment.

Mike Amesbury: We will put this to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 7, Noes 9.

Division No. 1]

AYES

Amesbury, Mike	Greenwood, Margaret
Byrne, Ian	Long Bailey, Rebecca
Eagle, Maria	
Greenwood, Lilian	Smith, Jeff

NOES

Aiken, Nickie	Mann, Scott
Colburn, Elliot	Mortimer, Jill
Grundy, James	
Hudson, Dr Neil	Vickers, Martin
Hughes, Eddie	Young, Jacob

Question accordingly negatived.

Clause 5 ordered to stand part of the Bill.

Clause 6

Permitted rent: leases replacing pre-commencement leases

Eddie Hughes: I beg to move amendment 3, in clause 6, page 4, line 30, after first 'of' insert 'premises which consist of, or include,'.

This amendment clarifies that clause 6 can apply to a replacement lease which includes some premises not demised by the pre-commencement lease.

The Chair: With this it will be convenient to discuss the following:

Government amendment 4.

Government amendment 5.

Clause stand part.

Eddie Hughes: Earlier, we considered amendments 1 and 2, which relate to disapplying the premium requirement for a lease where there is deemed surrender and regrant. This set of amendments is also connected to the deemed surrender and regrant process, but more specifically, they clarify the matter raised by Lord Etherton with regard to a lease variation.

As currently drafted, it was not clear, where there was a pre-commencement lease where a demise was changed, whether such leases would be captured by clause 6. It was raised in the other place that, if not, any existing ground rent in those leases would be reduced to a

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peppercorn. We recognise that that might make some landlords reluctant to agree to such changes, thereby disadvantaging their leaseholders, which is not the Bill's intention. The amendments make clear that the demise of a lease can be changed and the resulting surrender and regrant will not reduce the ground rent on the balance of the term of the pre-commencement lease to a peppercorn.

Any extension to the term of the pre-commencement lease will be required to be a peppercorn, in the same way as for voluntary lease extension. By clarifying that ground rent in pre-commencement leases can continue in this way, the amendment ensures that freeholders need not withhold consent for a lease variation unnecessarily. It also ensures that there is a consistent approach towards existing leaseholders throughout the Bill. As with amendments 1 and 2, the amendments are designed to avoid unintended consequences.

Maria Eagle: I just want a little clarity from the Minister about the circumstances in which this extensive clause would apply. Is the amendment seeking to exclude just the issue of a voluntary lease variation? One might argue, quite plausibly, that any kind of leasehold is entirely voluntary, because the parties to the lease voluntarily sign it—caveat emptor and all that. One can say that any signature of a lease is voluntary in that sense.

10.45 am

The Minister says that a particular issue was raised in the other place about variations not happening if the landlord, in granting one, therefore lost the ground rent he was getting on an existing lease. I think that is the issue that the Minister raised in his succinct manner. However, I worry slightly about the word "voluntary" when it attaches to leases, because one might say that any signature of a lease is voluntary, on the basis that a party has, without being forced, signed it. I just wonder whether he is clear that his amendments will not create the potential for a wider loophole than one would wish in seeking to keep it tight.

I hope the Minister understands the minor point I am trying to make. I am very anxious that we do not inadvertently create broader loopholes in the Bill as a consequence of this. When one uses "voluntary" in relation to signing a lease, one can easily argue that any signature of any variation or lease is voluntary.

Eddie Hughes: I am incredibly concerned that the hon. Lady has me at a disadvantage with regard to her legal expertise. However, I think we understand and accept the distinction between voluntary and statutory when it comes to lease extensions. This principle is well understood within the legal profession. I understand the concern she raises, but I feel it is misplaced, or at least should be assuaged. The intention of the measures is to close a loophole so that people are not deterred in any way from granting a lease extension because they feel they will be disadvantaged as a result.

I beg your indulgence, Chair, to say that, on the hon. Lady's previous concern about how far back people could go when making a claim if a leasehold has been sold, my understanding is that the statute of limitations will apply, which is generally within six years.

Mike Amesbury: To pick up on the point of my hon. Friend the Member for Garston and Halewood on "voluntary", a freeholder might offer a seemingly reasonable deal to voluntarily and formally extend a lease, but there is a real risk that elements of that could have a premium applied and ground rent could continue. What reassurance is there that that cannot happen? We have seen lots of examples of that. The mis-selling of leasehold properties was mentioned, which the Competition and Markets Authority has investigated and seen evidence of, and which we are all familiar with from constituents. If there is any possibility of a loophole here to do that, unfortunately there are people in this field who will do it, so again it is about that reassurance that the measure closes down those potential loopholes.

Eddie Hughes: I think the hon. Member should be reassured. However, to ensure that that is the case, the Government will communicate regularly and frequently with professional legal bodies to ensure that they understand the case completely. No matter what legislation we introduce, it will not be possible to get away from the fact that, in seeking to enter into a legal contract, members of the public should engage good, independent legal advice. Unfortunately, some people will not and will be disadvantaged as a result.

Mike Amesbury: That goes back to the point that, at the end, people seemed to seek legal advice, which they thought was independent and objective, but clearly it was not. This is about that reassurance. On behalf of our constituents, many of whom are trapped in that situation and still somewhat nervous, I seek that reassurance.

Eddie Hughes: I feel that the clause strikes the right balance between, first, ensuring that the loophole is closed and, secondly, landlords feeling reassured that they will not be disadvantaged in any way by granting a lease extension. I think that both the points that the hon. Gentleman made are covered.

Amendment 3 agreed to.

Amendments made: 4, in clause 6, page 4, line 39, after "period" insert "(if any)".

This amendment clarifies that clause 6 can apply to a replacement lease for a term that does not extend beyond the end of the term of the pre-commencement lease.

Amendment 5, in clause 6, page 5, line 7, after first "of" insert—

"premises which consist of, or include,".—*(Eddie Hughes.)*

This amendment clarifies that clause 6(5) can apply to a new lease which includes some premises not demised by the lease to which subsection (2) applied.

Clause 6, as amended, ordered to stand part of the Bill.

Clause 7

TERM RESERVING PROHIBITED RENT TREATED AS RESERVING PERMITTED RENT

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to consider clause 16 stand part.

Eddie Hughes: Clause 7 will apply if a regulated lease includes a prohibited rent. Should a lease include such a rent, the effect of the clause is that the term in the lease is in effect replaced by the correct rent term under clauses 4, 5 or 6 of the Bill.

The clause means that, should a lease include a prohibited rent, there is no requirement on the leaseholder to pay that rent. Any requirement in the lease to pay a prohibited rent has effect as if it were a requirement to pay the relevant permitted rent as established under the Bill.

Later in the Bill, with clause 16—in a moment—we will come to the provision in the Bill that enables a leaseholder to seek a declaration from the first-tier tribunal as to the effect of clause 7 on their lease. Clause 7 is important because it has the effect of immediately rectifying, in law, any lease that includes a prohibited rent.

Clause 16 is an important measure to ensure that parties to a lease can seek clarity as to whether a term in the lease is a prohibited rent and, if so, what the permitted rent is. Clause 7, as the Committee will recall, sets out the rent that should apply in cases where a lease reserves a prohibited rent. We expect that in most cases the effect of the clause will be clear, and that the landlord will accept that a prohibited rent is not enforceable. However, where that is not the case, clause 16 means that a leaseholder, or landlord, can apply to the appropriate tribunal for a declaration. If the tribunal is satisfied that the lease includes a prohibited rent, it must make a declaration as to the effect of clause 7 on the lease. In other words, the tribunal must also clarify what rent is payable.

Under clause 16(3), where there are two or more leases with the same landlord, it will be possible for a single application to be made. That may be made either by the landlord or by one of the leaseholders with the consent of the others. That will mean that if there are several properties in the same block, or perhaps in different blocks but with the same landlord, it will not be necessary for a separate application to be made in respect of each lease.

Clause 16 also states that where the lease is registered in the leaseholder's name with the Land Registry, the tribunal may direct the landlord to apply to the Chief Land Registrar—the Land Registry—for the declaration to be entered on the registered title. The landlord must also pay the appropriate fee of about £40 for that. This will ensure that there is a record of the declaration for any successor in title to the lease. It will also mean that if the leaseholder wishes to sell, the true position will be clear to their purchaser's conveyancer.

In the case that the tribunal does not direct the landlord to apply to the Land Registry, the leaseholder may do so themselves. That will involve the payment of a modest fee of around £40. I hope that we can agree that it is important that a leaseholder does not encounter difficulties when selling and that future leaseholders clearly benefit from the actions taken to address the prohibited rent included in their lease. The clause achieves that by ensuring that the correct position in relation to ground rent under their lease can be made clear on the register of title.

Mike Amesbury: I thank the Minister for his explanation. If we look at the evidence provided by the National Leasehold Campaign and the Leasehold Knowledge Partnership, and take our mind back to the Select Committee call for evidence, I think in 2018, which I know he had a keen interest in at the time, there was a real concern about access to tribunals. Decisions seemed to be weighted against leaseholders. On the worry about access to, and supported provided to, tribunals, what reassurance can he give that the situation can improve as a result of the changing legal landscape?

Maria Eagle: I wish to ask the Minister a question. I apologise to him; obviously we have not yet reached the debate on the commencement provisions, but he might be able to enlighten us on the Government's intention. Clearly, it is entirely welcome that clause 7 would simply replace the unfair term in the lease that asks for real money for ground rent rather than the peppercorn, which the legislation is intended to outlaw, but the commencement provisions are not totally clear about when that provision will be commenced.

My understanding is that there will be a regulation-making power for the Government to bring into force the Act on the day that they wish to do so. My concern about not being clearer about when clause 7 comes into force is that there may be a gap between when the Bill is passed and when the clause is commenced by the Government, because they will have to make a regulation to do so. Does that leave a space for unscrupulous landlords to continue to have unfair contract terms in their leases after Royal Assent but before the commencement of the legislation?

I wonder whether the Minister could assuage concerns by making it clear that it is the Government's intention not to have a big gap between Royal Assent and commencement such that a loophole could be created in which clause 7 has not yet been commenced, preventing unscrupulous characters who may want to induce potential tenants into leases with contract terms that would be outlawed by the Bill from doing so. A simple commitment from him that there will be no such gap would satisfy me entirely.

Eddie Hughes: We are here to help. Lord Greenhalgh has already said in the other place that that gap would be no more than six months.

Maria Eagle: That is quite a long time.

Eddie Hughes: Given the pace at which legislation moves, that feels to me quite quick. With regard to the concerns of the hon. Member for Weaver Vale about the tribunal, I guess time will tell. We will need to monitor the situation closely, to ensure that people have access to tribunals. We are expecting the number of cases covered by this legislation to be relatively small. Given that the Government have signalled their intent, we have already seen reactions in the market, but I would look forward to working closely with the hon. Member, should concerns arise in future, in order for us to address them collectively.

Question put and agreed to.

Clause 7 accordingly ordered to stand part of the Bill.

Clause 8

DUTY TO INFORM THE TENANT

Question proposed, That the clause stand part of the Bill.

Eddie Hughes: I wish to move the clause formally.

The Chair: Is the Government Minister absolutely sure that he wants to vote aye to clause 8?

Eddie Hughes: No, he is not. Can I seek clarification?

The Chair: I will suspend the Committee until this matter is resolved, which I hope will be done extremely quickly.

11.1 am

Sitting suspended.

11.2 am

On resuming—

The Chair: I am going to start that debate again. We now come to the Question that clause 8 stand part of the Bill. I call the Minister.

Eddie Hughes: Mr Hollobone, I apologise sincerely for that small confusion on my part.

Clause 8 imposes on landlords a duty to inform whereby they are required to inform an existing leaseholder of the changes introduced by the Act, but only if those provisions in the Act have not yet come into force. This amendment was passed in the other place, and I support the principles behind the Lords amendment. It is vital that there is transparency in the leasehold system. However, there are doubts as to whether the amendment is the most effective means of achieving that objective. As drafted, it places a duty on all landlords. The amendment does not specify how—

Maria Eagle: Does the Minister mean the clause? I cannot see an amendment to clause 8.

The Chair: Order. What we are debating now is that clause 8 stand part of the Bill. No amendment has been moved to clause 8. We are debating whether clause 8, as inserted by the noble Lords, stays part of the Bill.

Eddie Hughes: As drafted, it places a duty on all landlords. The amendment—

The Chair: Order. I am going to speak with the Clerk.

This is most unsatisfactory. The Minister can redeem himself by talking about "the clause", not "the amendment". If there is any more inappropriate language, I have a mind to suspend the sitting for the rest of the morning until the Government sort themselves out. The clause was tabled as an amendment in the Lords, but is now a clause in the Bill. If the Minister refers to it as "the clause"—we are debating clause stand part—I will allow him to continue.

Eddie Hughes: That is very kind, Mr Hollobone; thank you.

I support the principles behind the clause—it is vital that there is transparency in the leasehold system—but there are doubts as to whether the clause is effective in achieving that objective. It places a duty on all landlords but does not specify how each landlord must satisfy that duty. Furthermore, it relates only to the short period between Royal Assent and the peppercorn limit coming into effect. It would therefore place a significant burden on enforcement authorities for a limited period. Additionally, the changes that the clause requires for the penalty enforcement process to align with the rest of the Bill would delay the implementation of new peppercorn rents.

We are looking closely at how to best achieve the objectives that informed the clause. On Second Reading, the hon. Member for Weaver Vale and my hon. Friend the Member for Wimbledon (Stephen Hammond) raised very good points about the importance of transparent, objective legal advice during the purchase process.

I firmly believe that the Government's provisions will lead to fairer, more transparent homeownership. I hope the Committee will agree that the clause should not stand part.

Mike Amesbury: I thank the Minister for his explanation. He referred to the fact that I and a considerable number of other Members spoke about this matter on Second Reading and have done so throughout the campaign to reform the feudal leasehold system. I cannot quite understand the objection to the clause, given that the lack of transparency has been a major factor in the leasehold landscape—we have referred to the CMA investigation and mis-selling by solicitors. The clause would help to improve the landscape and improve the situation for leaseholders. It makes perfect sense to include provisions on transparency of information in the Bill that the Government are arguing for and which we are scrutinising and challenging. We support clause stand part.

Maria Eagle: I have some concerns about the Minister's suggestion that we should not keep clause 8 in the legislation, partly because of the exchange that we just had on clause 7. I expressed a little sedentary shock that six months may pass between Royal Assent and the commencement of clause 7. A lot of leases can be signed in six months, which I consider an extended period, and clauses that will become prohibited may not be at the time.

Leases are difficult enough to read as a layperson without having to be aware that the law has been changed to prohibit a particular clause and that a rent set out in a lease should be replaced with a peppercorn rent. One would have to follow *Hansard* reports of Bill Committees carefully, as well as the commencement of legislation, to have an understanding that there was a prohibited clause in a lease that one had just signed. Even then, one must understand the legal language in leases, which is not the easiest thing for lay people, perhaps first-time buyers. It is extremely useful to have a provision such as clause 8 in the legislation to make it clear that there is an obligation on landlords to inform tenants of this interim period of time.

If the Minister had said in our debate on clause 7 that the delay was going to be a week or two weeks, then perhaps I would not have risen to support this clause, but we are talking about six months. Many leases have clauses that are to become prohibited later on, but the tenant who signed them may not understand that. We wish that were not the case but there are some landlords out there who wish to induce people to sign leases with charges attached that are shortly to become unlawful. Perhaps then there will be some money paid over, and it is more difficult to get that back than not to pay it in the first place.

Given that there is likely to be a period of up to six months between Royal Assent and commencement of the legislation, clause 8 is a valuable provision to keep in the Bill. I cannot understand why the Minister wants it removed. I would be happy if he were to tell me that commencement of the legislation would take place within a week or two of Royal Assent. I would not then be so concerned about this gap. I am concerned that we are creating or allowing too many loopholes that enable our constituents who are signing new leases to fall into traps that those who wish them to sign leases want to induce them into. The fewer loopholes, the better. Clause 8 is an important provision to leave in the Bill and I would vote for it to stand part of the Bill.

Eddie Hughes: Clearly, six months is the limit that we have set. I am sure that people will be working assiduously to try to ensure that that period is minimised. The suggestion that the hon. Member for Garston and Halewood made—that she would be reassured to hear that it would be a week—is nigh on impossible. We will continue to work hard to limit that period. During that time, we will communicate regularly with professional bodies to ensure that all solicitors are informed of and understand the changes that are coming.

Mike Amesbury: What is the Minister's concern with a duty to inform?

Eddie Hughes: We are placing a duty on the landlord, and the unintended consequences might be that there are a number of cases that are highlighted and then brought to a tribunal in a very condensed period of time, placing an unnecessary burden. I think it would make for a slightly chaotic approach to the system. We are aiming for a smooth transition. Given the effort that we have put into communicating with legal bodies and the work that hon. Members are doing to highlight the changes the Government have made, it feels like an unnecessary process. However, we will continue to work with the hon. Member during the passage of the Bill to see if there is anything else we can do to meet the objective of the clause.

Question put, That the clause stand part of the Bill.

The Committee divided: Ayes 7, Noes 9.

Division No. 2]

AYES

Amesbury, Mike	Greenwood, Margaret
Byrne, Ian	Long Bailey, Rebecca
Eagle, Maria	
Greenwood, Lilian	Smith, Jeff

NOES

Aiken, Nickie	Mann, Scott
Colburn, Elliot	Mortimer, Jill
Grundy, James	Vickers, Martin
Hudson, Dr Neil	Young, Jacob
Hughes, Eddie	

Question accordingly negatived.

Clause 8 disagreed to.

Clause 9

ENFORCEMENT AUTHORITIES

Question proposed, That the clause stand part of the Bill.

11.15 am

Eddie Hughes: We must ensure that the breaches of prohibited rent that I set out in clause 3 are acted on. Clause 9 will place a duty on local weights and measures authorities in England and Wales, that is to say trading standards authorities, to act where a breach of clause 3 occurs in their area. It also gives them the power to act where a breach occurs elsewhere in England and Wales.

In addition, through subsection (2), English district councils that are not trading standards authorities will be given the power to enforce clause 3 but, unlike trading standard authorities, will not be required to do so. That will maximise our ability to act against perpetrators. Both local weights and measures authorities and district councils will be able to retain the financial proceeds from the penalties they impose to cover the costs incurred in carrying out their enforcement functions in relation to residential leasehold property.

Subsection (3) clarifies the area in which a breach occurs and, to be thorough, captures areas where a premises is located on a local authority boundary, although we think that those will be few and far between. I am sure we all agree that although it is important for enforcement authorities to have the necessary duties and powers to act on breaches, it is also important that we provide protection against the duplication of penalties, which is what subsection (4) does.

Equally, I am sure we all agree that it is right to expect landlords to understand the requirement of the new legislation and abide by it. It is our hope, therefore, that enforcement action will not be needed in most cases, but by conferring duties and powers on enforcement authorities, the clause will be instrumental in ensuring that any breach of the restrictions on ground rents can be robustly enforced. That is vital as a deterrent and to protect leaseholders from unfair practices.

Mike Amesbury: My only concern is the obvious one about resources. I refer to my declaration in the Register of Members' Financial Interests, as I am a vice-president of the Local Government Association. Over the last 11 years, resources have been somewhat depleted as a result of austerity and Government cuts. Although there is the control and skill capacity locally to be the foot soldier for enforcement, it is a matter of having the people and resources to carry that out and implement it.

I notice that on the Bill's journey in the other place, a reference was made to future local government settlements. The last 11 years have not been good if we use them as an example of potential resources. I would be interested in the Minister's reply on that important and vital matter.

Maria Eagle: It is good to see that there is some provision about enforcement because there is often a gap in legislation, so the law is made and practical enforcement is not set out. I find it quite an interesting approach to enforcement to say that local trading standards or weights and measures authorities in England and Wales "must enforce" in their own area the standard statutory obligation of such an authority but

"may enforce…elsewhere in England and Wales."

I may be wrong, but that seems a fairly novel approach to enforcement. I am not saying it is bad, but I would like the Minister to set out in a little more detail why the clause is worded in this manner and whether there are

[Maria Eagle]

any precedents in respect of other enforcement arrangements that have been drawn on to set out the provision.

Subsection (2) says:

"A district council that is not a local weights and measures authority may enforce section 3 in England (both inside and outside the council's district)."

We have the prospect of roving entrepreneurial weights and measures departments perhaps thinking that they can go and levy fines of up to £30,000 for a breach somewhere else entirely. I think I have read somewhere that they get to keep the proceeds, so this is quite an interesting tax farming idea—perhaps going back to old England, whereby the collector is given a percentage of the takings. Like my hon. Friend the Member for Weaver Vale, I was going to ask what provision the Government will make to enable a local authority's trading standards department to search out such breaches. Perhaps they intend to enable trading standards from elsewhere in the country to come galloping in.

Ian Byrne (Liverpool, West Derby) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. On the point raised by my hon. Friends the Members for Garston and Halewood and for Weaver Vale, Liverpool has lost £465 million of funding since 2010, and another £34 million of savage cuts are mooted for the upcoming budget. How does the Minister expect a council such as Liverpool City Council to finance a trading standards team that can actually carry out what the Bill proposes under what we are experiencing through austerity?

Maria Eagle: I agree with my hon. Friend about the savage reduction in available resource that the Government have visited on Liverpool. I am interested to hear from the Minister about the intention of this formulation and whether he anticipates that trading standards from out of area will be galloping around the country doing enforcement work in the manner that the clause lays out, because it is not something that I have seen before in legislation. I may be wrong, but it is not something that I can recall seeing.

Mike Amesbury: Perhaps there will be a VIP fast lane for the new hit squad that goes across the country.

Maria Eagle: I will be interested to see whether there is any kind of entrepreneurialism undertaken by trading standards around the country, but I would like to hear what the Minister has to say.

Nickie Aiken: I thank the Government for including effective enforcement in the Bill. There is no way that the Bill will work, and landlords will not be held to account, unless there is proper enforcement. Having been the cabinet member for public protection at Westminster City Council, which trading standards came under, I know at first hand the brilliant work that trading standards officers do day in, day out in Westminster and across the country. I would really appreciate it if the Minister could give assurances that trading standards teams across the country will have the funding to carry out the extra workload. I certainly think it is important that we ensure they can do so, because we do not want to be giving leaseholders any false hope, and I certainly welcome the ability for local authorities to keep the proceeds of any fines that they may be able to extract from a landlord.

The Chair: Order. I must ask the hon. Lady to resume her seat. It is nothing against the hon. Lady at all—I am enjoying her speech immensely—but it is now time to adjourn.

11.25 am

The Chair adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till this day at Two o'clock.