

## Buying the Freehold of your Building

### Guidance for Homeowners

#### Introduction

##### **Enfranchisement of flats**

Typically the freehold of the block of flats is owned by Southwark Council. In many cases this means Southwark Council as landlord is also responsible for managing and maintaining the building. Service charges are paid to Southwark Council to cover the cost of managing, maintaining and insuring the building. There may also be a separate third party management company who deals with this.

The individual flats are then let on long leases (typically 125 years). This means that the owners of the leasehold flats own that property for a fixed period of years only.

If you qualify, you can collectively buy the freehold of the building. This is known as *Collective Enfranchisement*.

##### **Enfranchisement of houses**

When you own a leasehold house, you own that property for a fixed period of years only. As time passes, the term remaining on the lease reduces and with it the value of the property. If your lease is short, you may have difficulty selling or mortgaging the property.

If you qualify, you can buy the freehold of your building. This is known as *Individual Enfranchisement*.

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## **Sale of Freehold Reversionary Interest: A voluntary scheme for flat owners**

Southwark Council operate a voluntary scheme to provide leaseholders with the opportunity to purchase the freehold of their building from the Council and take control of how the property is managed moving forward.

### **Qualifying Criteria**

- Your block must consist of leaseholders only. If there is a Council tenanted property within your block then this voluntary scheme is not available to you. You would need to check to see if you are eligible to proceed via the statutory route.
- All leaseholders within the property must agree to purchase the freehold.
- There is a maximum of 3 flats in the block.
- There are no service charges, major works charges, or any other charge registered on the leasehold titles in favour of the Council. **If so, you agree that these will be cleared in full on purchase of the freehold.**

Buying the freehold will result in the following:

- You will become your own landlord and will own a share of the freehold.
- You and the other freeholders will gain complete control in how you want to manage your property. For example, deciding how and when you want to do repairs to the building and arranging cleaning and keeping the communal areas in good repair as may be required.

### **The Process**

Should you seek to proceed with a voluntary application for the purchase of the freehold, you will need to do the following:

1. We strongly advise that you instruct your own solicitors; neither the Council nor our solicitors will be able to provide you with any legal advice.
2. Confirm via email to [HSG.Conveyancing@southwark.gov.uk](mailto:HSG.Conveyancing@southwark.gov.uk) that you wish to use the voluntary scheme. Your email should include the full name the 'block' wishes to be known as following completion of the transaction. You will need to create a Freehold company; we would advise that you should discuss this with your own solicitor, whom can provide advice on how to set up a freehold company.
3. Return the enclosed application form. One form should be signed between **you all**, and returned via post or e-mail. Your form should include the full names of all leaseholders and the address of the building.
4. Pay the **non-refundable** administration fee of £339.00. The fee can be paid by using our [online payment form](#). Please include your Property Reference Numbers (PRNs) as the reference when completing the online payment form. This will ensure that we are able to efficiently credit your payment against your application.
5. On receipt of the above the Council will refer your application to our internal teams for their consideration and comments.

6. If the application is approved by internal departments, the Council will then instruct the Council surveyors to value the property and negotiate a premium for the freehold interest with you and the other leaseholders.
7. Once the premium is agreed and approval has been obtained from the Council's directors, the Council's solicitors will be instructed to liaise with your solicitors to complete the matter.

## Costs

As well as being responsible for your own legal fees, you will also be responsible for the following costs:

- **Non refundable** administration fee: £339.00 - Payable on submission of application;
- Valuation fee: £885.00 - Payable before the valuation is undertaken; and
- Council's legal fees: £412.10 + VAT and disbursements - Payable via solicitors whether or not the matter proceeds to completion.

## Timescales

We anticipate this process to take approximately 6 months depending on the length of negotiations and the conveyancing process.

## Things to consider:

- Our administration fee is **non-refundable** should you not be able to proceed or wish to withdraw your application.
- Please note that we will not consider your request if your service charge or major works accounts have not been maintained in accordance with your lease. We also insist that prior to completion all monies/charges owed to the Council are paid in full.
- In addition, we require your written undertaking that whether or not this matter proceeds to completion, you will be responsible for the administration, valuation and legal fees if the application reaches the relevant stage as described in our costs summary above.

## **Buying the Freehold of Your Building FAQs**

### **Where can I find additional information about purchasing the freehold?**

<https://www.leaseholdadvicecentre.co.uk/buy-your-freehold>

### **What does buying the freehold mean?**

As a leaseholder, you are responsible for the maintenance and upkeep of the inside of your home as stated in your lease. When you buy the freehold, you (and any joint freeholders) will in addition be responsible for the structural maintenance and upkeep of the whole building i.e. communal areas, external walls, and roof.

### **What responsibilities will I have if I buy the freehold?**

You will be responsible for organising your own:

- ✓ Building insurance
- ✓ All repairs and maintenance for the building and any communal areas
- ✓ Management of the building

Please note the above is not an exhaustive list and you ensure your solicitor advises you regarding your responsibilities as a freeholder.

### **If I have already been advised by Southwark Council that they are planning to do works to the building will they still go ahead with the works?**

No. If you buy the freehold any proposed works will be removed from the programme and you will not have to pay.

### **I am interested in buying the freehold but don't know how to contact the other leaseholders in the building as they don't live there?**

Where we have a correspondence address for a non-resident leaseholder, we will send them this information and letter upon your request.

If the property is let out you may wish to ask the residents if they could provide you with contact details of the landlord or pass on your contact details to the leaseholder.

### **What do all the leaseholders in the block need to consider in buying the freehold together?**

You need to get together and discuss how you want to manage the building. Everyone involved should understand and agree on:

- What buying the freehold means;
- Whether or not you will instruct one solicitor to act on behalf of all of you or whether each participant wants to have their own solicitor;
- How fees for surveys, your application and solicitors fees will be paid;
- How you plan to manage the process and the property in the future. A participation agreement is a contract between leaseholders;
- Detailing what needs to be managed, when and how. Your solicitor should be able to provide information on participation agreements. You can also get information on participation agreements from the Lease Advice Organisation, click on the link below:  
<https://www.lease-advice.org/advice-guide/participation-agreements/>

### **What do I do if one leaseholder in the block doesn't want to buy the freehold?**

As discussed above, it is a criterion that all leaseholders within the building wish to participate in the purchase of the freehold under the voluntary scheme.

## What will buying the freehold cost?

The purchase price for the freehold will only be known following valuation of the property. However, online freehold calculators are a useful tool to get an estimate on how much it might cost you. A note of caution: online valuations are based on general information about properties and areas based on current market values. They won't take into account any potential development opportunities the building might have.

Links to online freehold calculators:

- <https://freeholdvaluation.com/ballparkvaluation.htm>
- [https://www.freeholdcalculator.com/freehold\\_choose.php](https://www.freeholdcalculator.com/freehold_choose.php)

Other costs involved in buying the freehold are set out below:

Services	Fees
Southwark's administration and management fees	£339.00 (payable at the beginning of the process)
Freehold valuation by a Southwark Council surveyor	£885.00 (payable in advance of the survey)
Southwark's legal fees (paid on completion)	£412.10 + VAT (plus third party disbursements if any) (paid on completion)
<b>*Total estimated cost</b>	<b>£1,508.52</b>

**\*Please note** that this does not include your own solicitor's fees and the agreed purchase price of the freehold.

## If I think the valuation or premium is too high, can this be negotiated?

Our valuation process is fair and considers all the current factors in the market. Unfortunately we are unable to enter into negotiations on the valuation. **If you choose not to accept the valuation then your application will be closed and fees paid are non-refundable.**

## Will I need a solicitor?

Yes, you will need a solicitor to advise all leaseholders and manage the conveyancing process on your behalf. You should look for a solicitor who has experience in residential enfranchisement (buying the freehold).

## How long does the process take; is there a timescale to follow?

There are no strict deadlines or timescales; you will go through the process at your own pace. **That said**, the end to end process should take up to 6 months. Please note this is an approximation only and that some delays may occur due to multiple departments being involved in the process.

## I want to buy the freehold to my home, what is the next step?

- Before submitting your application form, please consult with your neighbouring leaseholder(s) to ensure they wish to participate;
- Together seek independent legal advice to ensure that you fully understand the legal implications of purchasing the freehold;
- Ensure that there are no charges registered against your leasehold properties or that you will have sufficient funding to redeem all charges on the day of completion;
- You must make sure that your service charge and major works accounts are up to date, any money owed must be paid before or on completion.

## **Collective Enfranchisement: A statutory process for flat owners**

The *Leasehold Reform, Housing and Urban Development Act 1993* states that leaseholders who own flats in the same building can collectively purchase the freehold provided certain criteria are met. The legal term for this process is Collective Enfranchisement.

### **Criteria**

Under this legislation, provided you satisfy certain criteria, you can force the landlord to sell the freehold of the block to you.

The main criteria are as follows:-

- The building must contain at least two flats held by “qualifying tenants” (leaseholders with long leases).
- The total number of flats owned by qualifying tenants in the block must be at least two thirds of the total number of flats in the block.
- At least half of the qualifying tenants (or both where there are only two flats in the building) must take part in the collective enfranchisement.
- Importantly, if a person or company owns 3 or more flats in the building then they do not count as a qualifying tenant.

Example:

If a building block consists of 12 properties. If there are 9 leaseholders and three tenants, this would mean:

- a) The Building would qualify as at least two flats (9 in total) are held by qualifying tenants.
- b) The total number of qualifying tenants in the block is 9. This would amount to  $\frac{3}{4}$  (or 75%) of the total flats in the block.
- c) At least 4.5 (rounded to 5) of the qualifying tenants must agree to take part in the collective enfranchisement.

### **Statutory Process**

You may serve on us a Section 13 Notice in accordance with the *Leasehold Reform, Housing and Urban Development Act 1993 (as amended)* and proceed under the statutory route.

Upon receipt of the Notice, the Council will take the following steps simultaneously:

- Instruct a Council surveyor who will value the property and negotiate a premium for the freehold interest with you; and
- Instruct our solicitors whom will liaise with yours to conclude the matter

### **Costs**

As well as being responsible for your own legal fees, you will also be responsible for the following costs:

- Council’s legal fees: Hourly rate of £247.26 (as recoverable under Section 33 of the Act) + VAT and disbursements; and
- Valuation fee: £885; and
- Investigation fee: £339.00

**Things to consider:**

- On completion, the Council will no longer be the freeholder of the block. You (the Company), will become your own landlord and be responsible for undertaking the services the council currently provides.
- This will include account administration required for the maintenance of common areas and services.
- For your information, please see contact details below for independent organisations that would be able to assist with enfranchisement queries:-
  - Lease Advice Organisation: [www.lease-advice.org](http://www.lease-advice.org)
  - The Leasehold Advice Centre: [www.LeaseholdAdviceCentre.co.uk](http://www.LeaseholdAdviceCentre.co.uk)

## **Individual Enfranchisement: A statutory process for leasehold houses**

Please note that the Council do not offer a voluntary process for individual enfranchisement. The statutory process must be followed.

### **Criteria**

To qualify to purchase the freehold, both you and your house must meet certain criteria, which are as follows:

- In order for the **building to qualify**, it must be a 'house'. But, there must be no material over or under-hang with an adjoining building (if there is, then it is likely to be a flat); and
- You (the leaseholder), must have a lease of the whole house **and** it must be a long tenancy (i.e. a lease with an original term of more than 21 years); and
- You (the leaseholder), must have held the lease for a minimum of two years at the time of submitting your application.

### **Statutory Route Process**

You can apply to purchase the freehold, by serving a Notice on the freeholder and the Council under the *Leasehold Reform Act 1967*.

Upon receipt of the Notice, the Council will take the following steps simultaneously:

- Instruct a Council Surveyor who will value the property and negotiate a premium with you; and
- Instruct our solicitors to liaise with yours to conclude the matter

### **Costs**

As well as being responsible for your legal fees, you will also be responsible for the following fees:

- Council legal fees: currently £919.30 + VAT and disbursements
- Valuation fee: £885.00
- Investigation fee: £339.00

### **Things to consider:**

- We strongly advise you to instruct solicitors to act on your own behalf, as there are statutory time constraints to this route which if missed could have financial consequences.
- If the freeholder of the property is Dulwich Estate, it is advisable to make contact with them at the earliest opportunity. Please find below the contact details:-

**The Dulwich Estate  
The Old College  
Gallery Road  
London  
SE21 7AE**

**Tel: 020 8299 1000**

**Website: [How to buy your freehold on The Dulwich Estate](#)**



## **Fees**

You will be responsible for the Council's reasonable fees whether you complete the sale or not. These include administration, valuation and legal costs. These fees are discussed above.

## **Contact Information**

For additional queries, please write to:

**Residential Conveyancing and Compliance Team**  
**Sales & Acquisitions**  
**160 Tooley Street**  
**London**  
**SE1 2QH**

Or e-mail us at: [HSG.Conveyancing@southwark.gov.uk](mailto:HSG.Conveyancing@southwark.gov.uk)

Further information is also available on our website:

[Buying the freehold of your building from us - Southwark Council](#)