



**Financial
Service
Solutions**



Conveyancing Explained

Leasehold vs Freehold

There are two main types of legal ownership in England and Wales; Freehold and Leasehold. There are some key differences to consider before committing to a purchase of either type.

What is Freehold?

If you own the freehold, it means that you own the building and the land it stands on outright. It will be your name in the land registry and on the title deeds. Freehold is pretty much always the preferred option and houses are normally sold as Freehold.

What is Leasehold?

Leasehold means that you have a lease from the freeholder to use the home for a number of years. The leases are usually long term – often 90 years or 120 years. They can be as high as 999 years which is also referred to as long leaseholds. When the lease ends, ownership returns to the freeholder unless you are able to extend the lease.

Most flats and maisonettes are owned leasehold, however there are some exceptions to the rule in Scarborough, where some flats are freehold. When you buy a leasehold property, you'll take over the lease from the previous owner, so before making an offer you'll need to consider:

- How many years are left on the lease and how it may affect obtaining a mortgage/the property resale value.
- The service charges and related costs that come with a leasehold property (which are more than likely changeable rather than fixed)
- If you want to carry out Major works to the property, as you'll have to get permission.

What are the Conveyancing differences for Leasehold vs Freehold?

Each Conveyancing case is different, however there are some key reasons why a Leasehold case involves more work than a Freehold case. The Conveyancing process for Leasehold cases typically takes longer and carries higher costs due to the amount of work involved. Here is a list of the additional work required on a Leasehold case (please note this list is not exhaustive).

Your Conveyancing Supplier needs to read the Lease

Leases are complex documents which include a lot of important information. If you're getting a mortgage, the Conveyancer must ensure that the lease meets with the lender's requirements and is transferable.

The unexpired term of the Lease

It is essential that your Conveyancer checks the length of the unexpired term of the lease because many lenders will not provide a mortgage if a lease has less than 60-65 years left to run after the end of the mortgage term.

Finding out who owns the Freehold and requesting information

Your Conveyancer will need to request certain information from the freeholder in the form of a leasehold questionnaire and this may take time. For example, your Conveyancer will check the responsibilities on communal areas.



Financial Service Solutions

Management Company

Sometimes, the owners of the leasehold properties get together, buy the freehold and form a Management Company to take care of the upkeep and insurance of the property. Your Conveyancer will check the company documents and accounts and the share(s) must be transferred on completion.

Legal Obligations

The lease contains Covenants which are promises that the owner of the lease is obliged to fulfil. Your Conveyancer will inform what Covenants you must take responsibility of upon completion.

Service Charges

Your Conveyancer will contact the owner of the Freehold to find out what the current monthly service charges are/check what has been paid to date. Service charges cover the contributions to the upkeep of communal areas. They also need to find out if there is any major work planned and whether or not there are funds available for this expense. Your Conveyancer usually looks at the expenditure of the management company and freeholder over the last 3 to 5 years to see if there has been any major expenditure or any debt incurred. This information should be passed on to you so that you can budget.

Buildings Insurance Policy

Your Conveyancer will check that the owner of the freehold/ management Company has insured the building and checks if there is a covenant in the lease obliging the lessee to pay their portion of the sum.

Disputes

Your Conveyancer will try and find out if there are any disputes between neighbours, the landlord and or management company.

Short Lease

If required, your Conveyancer will get involved in obtaining a lease extension or a brand new lease.



CONTACT US NOW!

0333 567 8960

hello@financialservicesolutions.co.uk