



Lease Extension Policy

Version 1

Approved by: Executive Team
Approved date: 16 April 2018

1.0 Introduction

- 1.1 This Policy outlines our approach to extending leases outside any statutory entitlement, including when we'll use our discretion to extend leases for shared owners.
- 1.2 We will give you one year's notice before removing this discretionary offer, unless legislation or regulation requires us to change it sooner. As a minimum this will be via our website.
- 1.3 Full leaseholders (these are leaseholders who own 100% of the equity in the property leased to them) have a statutory right to extend their lease if they meet the relevant requirements. They can choose to follow this Policy to ask us to extend their lease (and agree a valuation), or pursue the statutory route. If they choose to use the statutory route, the statutory process will be followed outside of this Policy. There is no statutory entitlement to extend a shared ownership lease.
- 1.4 When we use 'you' and 'your' we mean leaseholders, including shared owners. The terms 'we', 'our', and 'us' mean Optivo.

2.0 What criteria do I need to meet to extend my lease?

- 2.1 For us to consider extending your lease where we own the freehold, you need to have:
 - No breaches on your lease
 - A long residential lease e.g. one initially granted on a 99 or 125 year term (and not granted as part of any commercial arrangement).
- 2.2 If we don't own the freehold to your home, it will depend on the terms and length of our Head Lease whether we can agree to extend your lease. If your extended lease would be within the length of our Head Lease, we'll consider it on the same conditions as 2.1 above. If your extended lease would be longer than our Head Lease, we'll try to agree an extension with the Freeholder.

3.0 What are the costs to extend my lease?

- 3.1 The price (called the Premium) you will pay for your lease extension must be calculated by a Royal Institution of Chartered Surveyors (RICS) Qualified Surveyor. Their valuation will consider the following:
 - The reduction in the value of the landlord's interest in the flat
 - Any compensation payable in relation to any other loss or damage arising out of the extension of the lease
 - 50% of the 'marriage value'. The marriage value is generally defined as the increase in the value of the property to the leaseholder, arising from the lease

extension. There is no 'marriage' value payable on leases with more than 80 years remaining in the original term of the lease.

3.2 You will also be responsible for paying:

- Your valuation fees
- Our administration charges
- Our legal costs
- Your solicitor's costs
- Stamp duty land tax.

3.3 If we own the property on a Head Lease, there may be additional costs payable such as:

- Our increased administration charges
- The freeholder's valuation and legal costs and any administrative charge.

3.4 If you are a Shared Owner the premium will usually be based on the full premium rather than the equity share you own. In cases of hardship the Director of Home Ownership may in their absolute discretion agree a premium reduced pro-rata to the equity share. In such cases an additional premium to reflect the extended term will be payable on any future staircasing.

4.0 How do I extend my lease?

4.1 If you're considering extending your lease, contact us to discuss your options. Before we agree to extend the lease, you'll need to resolve all breaches to your lease, for example:

- Clear any outstanding arrears or debts you owe us
- Resolve any outstanding anti-social behaviour issues
- Remedy any serious repairs you're responsible for.

The Director of Home Ownership must approve lease extensions if you are in breach of your lease.

4.2 To extend your lease, you need to send us:

- A completed Leasehold Extension Form
- A copy of your valuation (see section 3.1)
- An administration fee.

4.3 We will confirm if it's possible to extend your lease in writing within 28 days of receiving your valuation, and provide you with details of our solicitor.

4.4 If we refuse your request, we'll explain why and signpost you to advice about what you can do.

4.5 If your valuation is inconsistent with our understanding of the value, we'll attempt to agree a Premium with you. If we're unable to agree a premium you'll need to get a further valuation from the District Valuer which we will accept as final.

4.6 If we approve your request, our solicitor will prepare the Lease Extension deed and liaise with your solicitor to complete the lease extension.

5.0 What you can do if you're not happy with our decision

5.1 If you're not happy with how we handled your request, our decision, or feel we have not followed this Policy, you can ask for a Senior Manager in the Home Ownership Team to review the case.

5.2 If we refuse to extend your lease you'll need to get independent legal advice about your options.

6.0 Review

6.1 We will review this Policy to address legislative, regulatory, best practice or operational issues.