

Making commonhold commonplace – the next chapter in the commonhold revolution



It is no secret that housing policy remains firmly on the Government’s agenda and that the leasehold tenure is the subject of continued criticism in the residential sector. As a result, the market has been awaiting the next step in the well-publicised drive to reinvigorate commonhold. That next step has now presented itself in the form of a Government White Paper published in March 2025 which summarises the commonhold journey to date and the Government’s plans for a “comprehensive new legal framework” for this little used form of tenure. We first wrote about this in October 2024 in [this article](#). In this update, we’ll summarise the latest proposals and consider whether it really might be “second time lucky” for the commonhold regime.

1. The Government’s aim

To recap, commonhold was introduced over 20 years ago but, for various reasons, it never took off and remains an extremely rare form of property ownership. In particular, as far as apartments in multi-let buildings are concerned, leasehold remains the usual form of tenure – but widespread and widely reported challenges associated with leasehold (including escalating ground rents and service charges, poor management practices, and the threat of forfeiture) have shone the spotlight on the Government’s proposals for reform. Our [previous article](#) outlines what commonhold is and why it has not been popular – the purpose of this article is to explore the latest updates announced by the Government.

As part of its wider commitment to focus on improving rights for leasehold homeowners, the Government is determined to make commonhold the default tenure for multi-occupied buildings and remains committed to the principle that those who occupy a building should be responsible for its management (as opposed to a remote third-party landlord).

2. Summary of the latest proposals

In its White Paper, the Government has responded to the recommendations made by the Law Commission in its 2020 report and accepts almost all of them (including those set out below):

- (i) **Greater flexibility** – to enable commonhold to work for all types of developments, separate “sections” and “heads of cost” have been proposed to ensure that only those with access to certain services/buildings are required to contribute to their cost. For example, for a mixed use building, separate “sections” could be created for the residential and non-residential parts so that the costs are apportioned appropriately – with the intention being that this will make commonhold a more workable system for mixed use developments.
- (ii) **Allowing certain permitted long leases** – the current commonhold system does not permit the grant of long leases out of a commonhold unit. Now, the Government is proposing that certain leases will be permitted within the commonhold system, including shared ownership leases, to ensure that commonholds are an option for developers providing shared ownership homes.

- (iii) **Reducing risk of insolvency** – the Government proposes to make reserve funds mandatory for all commonholds allowing unitholders to prepare and budget for future expenditure and mitigate the risk of surprise costs, as well as allowing for commonhold associations to take out a loan to obtain emergency funds. Reserve funds will be held on trust and therefore have protection from enforcement action by creditors.
- (iv) **Increased debt recovery powers** – stronger powers for commonhold associations to enforce non-payment of contributions owed by unit owners are also on the horizon, with the Government agreeing with the Law Commission’s proposals that commonhold associations should have powers to apply to court for an expedited order to sell a unit if the owner fails to pay their contribution (subject to certain safeguards).

3. What is still to come?

The Government acknowledges that there are still some areas which need further consideration:

- (i) **Conversion of existing leaseholds to commonhold** – it is widely accepted that the existing process of converting existing leases to commonhold, which requires consent from all parties involved (including the freeholder, leaseholders and lenders), is unworkable in practice and imposes too high a threshold. The Government is therefore proposing to bring the threshold down from 100% consent to 50% – but the implications of this on the non-consenting parties still need to be worked through (for which the White Paper sets out some options).
- (ii) **Making commonhold work for blocks of all sizes** – considerations are ongoing as to whether a “one size fits all” approach is appropriate, particularly where the block is particularly small (and the nature of the common parts is very limited) or vice versa where the block is very large.
- (iii) **Banning the sale of new leasehold flats** – the Government sees the reintroduction of commonhold as the first step towards the development of a ban on new leasehold flats. The Government has promised a full consultation on this later in 2025 which will be in addition to the ban on new leasehold houses already introduced by the Leasehold and Freehold Reform Act 2024.
- (iv) **Increased regulation of managing agents** – the Government has committed to the greater regulation of managing agents, requiring mandatory professional qualifications, and a consultation on this is set to follow.

A draft Bill is expected in the second half of 2025 for pre-legislative scrutiny and to allow players in the market to start to prepare for the delivery of commonhold at scale.

The Government’s ultimate aim is for commonhold to be the standard form of tenure for multi-occupied buildings by the end of this Parliament. This is a highly ambitious target and the scale of the task should not be underestimated. It will be important that these reforms are carefully considered and not rushed through to avoid a repeat of the previous unsuccessful attempt to introduce commonhold. A shift to commonhold will be a radical change for developers, investors and lenders alike and interested parties will want to take advice on what this means for them.

It remains to be seen whether the proposed changes will meet the wide-ranging concerns that have been barriers to commonhold so far (albeit it is acknowledged that the Government is trying to address those concerns). And whilst these changes (for now, at least) are limited to new developments, landlords of existing buildings will need to keep an eye on this as the Government is clearly planning to cast the commonhold net more widely in the years to come.

Ultimately, the success of commonhold following the introduction of the new reforms will depend on whether there are enough unit owners within the relevant blocks who are willing to take on the management responsibilities and arrange for the efficient provision of services. By giving back “power to the people”, the Government assumes that unit owners will want to be involved in the management of their buildings – and it remains to be seen whether commonhold can actually resolve many of the issues which are associated with leaseholds (such as the costs of services and issues with managing agents).

That being said, systems similar to commonhold are generally considered to have been successful in other jurisdictions (such as Australia, New Zealand and the United States) and the Government has taken the view that there is no reason why it should not work here – but care should be taken to avoid change for change’s sake and unintended consequences.

If you would like to discuss any of the topics mentioned in this article, please do not hesitate to reach out to your usual Linklaters contact.

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