Reading your lease: the clauses that matter

A plain-English tour of the parts of a long lease that control who does what, who pays what, and what you can change.

A long lease is a contract that sets the rules for the building. It can be long and badly organised, but a handful of clauses answer most day-to-day questions. If you manage a building, or sit on a board, read these first.

Parties and the term

Find out who the parties are: the landlord, the leaseholder and sometimes a management company. Note the length of the lease and the date it started. A lease that is getting short can become a problem for sales and mortgages, and is worth raising with the board early.

The demise: what is yours

The demise describes the part of the building the lease gives you. It might include the inside of the flat but not the structure, and the windows or balcony may be treated differently. This tells you who repairs what.

Service charge

Look for the clauses that set out what the service charge covers, how it is calculated and when it is payable. Check the percentage or proportion each flat pays, the accounting year, and whether the lease allows a reserve fund. A charge can only be recovered if the lease allows it.

Repair and insurance obligations

- Who repairs the structure, roof and communal parts.
- Who arranges buildings insurance, and who pays.
- What each leaseholder must do inside their own flat.

Restrictions and consents

Many leases restrict alterations, subletting, pets, short lets, flooring and business use, and require the landlord's or management company's consent. Check whether consent is needed, whether it cannot be unreasonably withheld, and whether a fee is payable.

Forfeiture and enforcement

The lease will usually allow the landlord to end it in serious cases of breach. In practice there are statutory limits, and forfeiture for unpaid service charge needs a

tribunal determination first. It is a last resort, and professional advice is essential before anyone goes near it.

Variation

The lease can be changed only by agreement or through the tribunal. If a clause does not work, such as a service charge that does not cover a cost, talk to your adviser about whether a variation is worth pursuing.

> Tip. Keep a marked-up copy of the lease, with the key clauses highlighted and a one-page summary. Directors change, and a summary saves everyone starting from scratch.

Next steps

1. Gather the lease and any deeds of variation.
2. Highlight the service charge, repair, insurance and restriction clauses.
3. Write a one-page summary for the board.
4. Take advice on anything that is unclear or looks unworkable.

General information, not advice on your circumstances. Leasehold law is detailed and changes: check the current position and take advice before acting. Leasehold Clarity is provided by Leasehold Clarity Limited (company no. 16963931), with management and professional services from Murphy Thompson Moore LLP (LLP No. OC314041).