

# Annex 4: Estate Rentcharges – Regulation of remedies for arrears of estate rentcharges

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## Part 1: Overall and stakeholder impacts

### 1.1 Overall impacts on total welfare

This table is a summary only. For full details about each impact, see section 4.6.

(1) Overall impacts on total welfare		Directional rating
<b>Description of overall expected impact</b>	<p>Qualitative analysis has been explored for a number of non-monetised impacts.</p> <p><u>Non-monetised benefits:</u></p> <p>We believe the reforms to estate rentcharge enforcement remedies will remove disproportionate enforcement risk, improve lending confidence and consumer confidence, reduce the use of threats and provide a clearer framework. This positively impacts all groups, particularly homeowners and lenders.</p> <p><u>Monetised benefits:</u></p> <p>It has not been possible to monetise any benefits in this annex.</p> <p><u>Non-monetised costs:</u></p> <p>We believe the reforms may have the potential to make dispute resolution longer, cause a possible increase in legal engagement for contested arrears and that there will be familiarisation, implementation and compliance costs as a result of the reform.</p> <p><u>Monetised costs:</u></p> <p>It has not been possible to monetise any costs in this annex.</p>	<b>Uncertain</b>
<b>Monetised impacts</b>	It has not been possible to monetise any benefits or costs in this annex.	<b>Uncertain</b>

(1) Overall impacts on total welfare		Directional rating
<b>Non-monetised impacts</b>	<p><u>Benefits</u></p> <ul style="list-style-type: none"> <li>• Remove disproportionate enforcement risk (homeowners)</li> <li>• Improved lending confidence (homeowners, lenders)</li> <li>• Increased consumer confidence and wellbeing benefits (homeowners)</li> <li>• Reduction in use of threats (homeowners)</li> <li>• Clearer framework (homeowners, rentcharge owners, estate management companies, lenders, legal professionals).</li> </ul> <p><u>Costs</u></p> <ul style="list-style-type: none"> <li>• Potential for longer dispute resolution (rentcharge owners)</li> <li>• Possible increase in legal engagement for contested arrears (rentcharge owners)</li> <li>• Familiarisation costs (rentcharge owners, estate management companies, legal professionals, debt recovery agencies and lenders)</li> <li>• Implementation costs (rentcharge owners and estate management companies)</li> <li>• Compliance costs (rentcharge owners and estate management companies)</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	<b>Tables 1.2 and 1.3</b> set out the expected impacts of this on households and businesses respectively.	<b>Neutral</b>

## 1.2 Expected impacts on households

This table is a summary only. For full details about each impact, see Section 4.6.

<b>(3) Expected impacts on households</b>		
<b>Description of overall household impact</b>	<p>Qualitative analysis has been explored for a number of potential impacts.</p> <p><u>Non-monetised benefits:</u></p> <p>Overall, we believe the policy delivers a net benefit to households, through creating a clearer framework, removing disproportionate enforcement risk, improving lending confidence and consumer confidence and reducing the use of threats.</p> <p><u>Monetised benefits:</u></p> <p>It has not been possible to monetise any benefits in this annex.</p> <p><u>Non-monetised costs:</u></p> <p>There are not any non-monetised costs to households. We do not anticipate that the costs to rentcharge owners will be passed onto consumers in a significant way.</p> <p><u>Monetised costs:</u></p> <p>It has not been possible to monetise any costs in this annex.</p>	<b>Positive</b>
<b>Monetised impacts</b>	It has not been possible to monetise any costs or benefits in this annex.	<b>Uncertain</b>

(3) Expected impacts on households		
<b>Non-monetised impacts</b>	<p><u>Benefits:</u></p> <ul style="list-style-type: none"> <li>• Removing disproportionate enforcement risk (homeowners)</li> <li>• Improved lending confidence (homeowners)</li> <li>• Increased consumer confidence and wellbeing benefits (homeowners)</li> <li>• Reduction in use of threats (homeowners)</li> <li>• Clearer framework (homeowners)</li> </ul> <p><u>Costs:</u></p> <p>There are not any non-monetised costs to households.</p>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	The reforms are expected to have positive distributional effects for homeowners, especially those on lower incomes or with limited financial resilience. First-time buyers and those seeking mortgages will benefit from improved mortgageability.	<b>Positive</b>

### 1.3 Expected impacts on business

This table is a summary only. For full details about each impact, see Section 4.6.

(2) Expected impacts on businesses		
<b>Description of overall business impact</b>	<p>Qualitative analysis has been explored for a number of potential impacts.</p> <p><u>Non-monetised benefits</u></p> <p>The policy will improve lending confidence and provide a clearer framework.</p> <p><u>Monetised benefits</u></p> <p>It has not been possible to monetise any benefits in this annex.</p> <p><u>Non-monetised costs</u></p> <p>There is the potential for longer dispute resolution and a possible increase in legal engagement for contested arrears. To comply with the new policy, we expect there to be familiarisation, implementation and compliance costs.</p> <p><u>Monetised costs</u></p> <p>It has not been possible to monetise any costs in this annex.</p>	<b>Negative</b>
<b>Monetised impacts</b>	It has not been possible to monetise any costs or benefits in this annex.	<b>Uncertain</b>
<b>Non-monetised impacts</b>	<p><u>Benefits</u></p> <ul style="list-style-type: none"> <li>• Improved lending confidence (lenders)</li> <li>• Clearer framework (rentcharge owners, estate management companies, lenders and legal professionals)</li> </ul>	<b>Negative</b>

(2) Expected impacts on businesses		
	<p><u>Costs</u></p> <ul style="list-style-type: none"> <li>• Potential for longer dispute resolution (rentcharge owners)</li> <li>• Possible increase in legal engagement for contested arrears (rentcharge owners)</li> <li>• Familiarisation costs (rentcharge owners, estate management companies, legal professionals, debt recovery agencies, lenders)</li> <li>• Implementation costs (rentcharge owners and estate management companies)</li> <li>• Compliance costs (rentcharge owners and estate management companies)</li> </ul>	
<b>Any significant or adverse distributional impacts?</b>	<p>The impact on rentcharge owners is concentrated among a relatively small group of property developers and estate management firms as well as those who own non-estate rentcharges, who may experience longer arrears recovery times and higher administrative costs. These costs are unlikely to be passed on to consumers in a significant way, given the availability of alternative remedies and the competitive nature of estate management services.</p>	Negative

## Part 2: Impacts on wider government priorities

This table is a summary only. For full details about each impact, see Section 4.6.

Category	Description of impact	Directional rating
<p><b>Business environment:</b></p> <p>Does the measure impact on the ease of doing business in the UK?</p>	<p>The overall impact on the business environment remains uncertain. The reform might encourage earlier dispute resolution but could also mean greater reliance on alternative civil remedies that could prolong litigation. It is unclear how this will influence investment confidence, property management practices, and legal services.</p> <p>Potential effects on innovation, competition, and barriers to entry are difficult to quantify through the current evidence base.</p> <p>The measure applies only to England and Wales, and no significant impacts are anticipated on the UK Internal Market or cross-border trade. Greater alignment with international norms may enhance perceptions of fairness, but the extent of any reputational or investment gains is uncertain.</p>	<p><b>Uncertain</b></p>
<p><b>International Considerations:</b></p> <p>Does the measure support international trade and investment?</p>	<p>The reform is domestic in scope and does not regulate goods or services traded internationally. Current analysis has not identified any direct impacts on international trade or investment, but the overall effect remains uncertain. The reform does not create new requirements for goods or services, nor does it appear to affect cross-border transactions or market access.</p>	<p><b>Neutral</b></p>

Category	Description of impact	Directional rating
<p><b>Natural capital and Decarbonisation:</b></p> <p>Does the measure support commitments to improve the environment and decarbonise?</p>	<p>Whilst our assessment is based on limited evidence, no adverse effects on environmental outcomes have been identified. We have not identified any impacts on natural capital, ecosystem services, or decarbonisation objectives.</p>	<p><b>Neutral</b></p>

## Part 3: Summary: Analysis and Evidence

Price base year: 2025

PV base year: 2028

	1. Do nothing (Non-legislative) (Counterfactual)	3. Repeal of Sections 121 and 122 and introduction of new notice requirement (preferred option) (legislative)
<b>Net present social value</b>	Not applicable	This option has been assessed qualitatively.
<b>Public sector financial costs</b>	Not applicable	Public sector financial costs are not monetised in this IA. A New Burdens Assessment and Justice Impact Test will be undertaken to ensure that any regulatory costs are fully funded.
<b>Significant un-quantified benefits and costs</b>	For appraisal purposes, the Business-as-Usual scenario is treated as having zero fiscal cost.	<p>It has not been possible to monetise impacts in this annex.</p> <p><b>Non-monetised benefits:</b></p> <ul style="list-style-type: none"> <li>• Remove disproportionate enforcement risk (homeowners)</li> <li>• Improved lending confidence (homeowners, lenders)</li> <li>• Increased consumer confidence and wellbeing benefits (homeowners)</li> <li>• Reduction in use of threats (homeowners)</li> <li>• Clearer framework (homeowners, rentcharge owners, estate management companies, lenders, legal professionals).</li> </ul>

	1. Do nothing (Non-legislative) (Counterfactual)	3. Repeal of Sections 121 and 122 and introduction of new notice requirement (preferred option) (legislative)
		<p><b>Non-monetised costs:</b></p> <ul style="list-style-type: none"> <li>• Potential for longer dispute resolution (rentcharge owners)</li> <li>• Possible increase in legal engagement for contested arrears (rentcharge owners)</li> <li>• Familiarisation costs (rentcharge owners, estate management companies, legal professionals, debt recovery agencies and lenders)</li> <li>• Implementation costs (rentcharge owners and estate management companies)</li> <li>• Compliance costs (rentcharge owners and estate management companies)</li> </ul>
<b>Results of sensitivity analysis</b>	Not applicable	Not applicable

## Part 4: Evidence Base

### 4.1 Policy background and problem under consideration

1. The number of homes on private estates with private arrangements for the management and upkeep of communal areas and facilities has been growing in recent years. We do not however, have centrally collected data on the number of freehold estates in England and Wales, or the number of these which have private management arrangements.
2. Data from the Competitions and Markets Authority (CMA) suggests that over recent years, from the 11 largest housebuilders, over 80% of their freehold homes on estates completed were subject to management charges arising from the private management of public amenities on the estate<sup>1</sup>. Freeholders living on these private estates may be required to pay private estate management companies' variable amounts towards the costs of the upkeep of the estate. These costs are generally low but can vary considerably depending on several factors, with the CMA report estimating the average estate management charge in 2022 as £358 per household per year.<sup>2</sup>
3. We estimate there are as many as 1.75 million homes on private estates, although we do not know how many of these are privately managed.<sup>3</sup> This figure is highly uncertain however and subject to several caveats, including that the data are self-reported from the following question asked in the English Housing Survey 'is your home on a private estate?' and respondents' interpretation of what constitutes a private estate may differ from the generalised understanding of freehold estates in this impact assessment. It also only covers owner occupiers and is only asked to freeholders, so individuals who rent properties on freehold estates are not included in this figure.
4. In this annex, 'homeowners' refers to individuals who own a property on a privately managed estate where an estate rentcharge is payable. This includes both freehold house owners and leaseholders whose leasehold property is also subject to an estate rentcharge.
5. The requirement by the homeowner to make a financial contribution will be set out in legal documents that are signed when the property is bought. This charge is payable by way of estate rentcharge, which apply where a home is within such a privately managed estate and could be a freehold house or a leasehold property. Where the property is leasehold, if an estate rentcharge is payable, it is separate and additional to the leasehold service charge.

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<sup>1</sup> [Housebuilding update report](#) Pg. 65.

<sup>2</sup> [Housebuilding market study final report](#). 2024. Pg. 49.

<sup>3</sup> This figure is based on data from the 2020-21 English Housing Survey. Additional caveats are that this figure is only asked to those in houses/bungalows, so this misses individuals living in flats.

6. There are a range of remedies available to enforce a rentcharge, including through the County Court, and statutory remedies for non-payment contained in sections 121 and 122 of the Law of Property Act 1925<sup>4</sup>. If a sum due has been in arrears for 40 days, these provisions allow the rentcharge owner to take possession of the property until arrears are cleared, grant a lease of the property to trustees, sometimes for terms as long as 99 years, or appoint a receiver with mortgagee-like powers. Where a lease is granted, the lease continues even after the arrears are cleared. These remedies can be exercised without any notice being given and there is no financial threshold which must be met before a rentcharge owner can pursue one of the remedies under sections 121 or 122.
7. In addition to estate rentcharges, sections 121 and 122 of the Law of Property Act 1925 also apply to a small number of other types of rentcharge, including those created in connection with family arrangements (such as where paragraph 3 of Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996<sup>5</sup> applies), those created by Acts of Parliament in relation to works on land, and rentcharges created by court order. While the government has limited evidence concerning the prevalence or practical use of these forms of rentcharge, the remedies in sections 121 and 122, including entering into possession whilst arrears are outstanding, the grant of a long lease, and the appointment of a receiver without notice, currently apply in these cases too.

### **Recent reforms**

8. The government is committed to improving rights and protections for homeowners. The Leasehold and Freehold Reform Act 2024 (LFRA 2024)<sup>6</sup> introduced significant reforms for freehold homeowners on private and mixed-tenure estates in England and Wales. Key measures include:
  - Right to challenge charges and standards of work: freeholders can apply to the First-tier Tribunal (Property Chamber) in England or the Leasehold Valuation Tribunal in Wales to challenge unreasonable estate management charges and the quality of work carried out.
  - Right to appoint a new manager: where an estate management company is failing, freeholders can ask the tribunal to appoint a substitute manager.
  - Greater transparency: freeholders must receive clear, regular information about their estate management charges.
  - Mandatory redress scheme: developers and estate management companies that manage estates directly must join a redress scheme, giving homeowners access to independent dispute resolution.

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<sup>4</sup> [Law of Property Act 1925](#)

<sup>5</sup> [Trusts of Land and Appointment of Trustees Act 1996](#)

<sup>6</sup> [Leasehold and Freehold Reform Act 2024](#)

- Disapplication of sections 121 and 122 of the Law of Property Act 1925 for income-supporting rentcharges: these rentcharges, which are unrelated to the provision of services, can no longer be enforced using these remedies. Instead, arrears must be recovered through normal debt recovery routes. This measure was implemented on 24 July 2024.
9. The government has committed to implement the outstanding LFRA measures as quickly as possible, including introducing relevant secondary legislation. The government is currently consulting on the details of the outstanding reforms above, through our consultation *Enhanced protections for homeowners on freehold estates*, which applies to England and Wales closes on 12 March 2026.<sup>7</sup> The government aims to implement these measures as quickly as possible thereafter.
10. This consultation is also seeking views on the unintended consequences of disapplying s121 and 122 of the 1925 Act<sup>8</sup> on where they are used in other circumstances. We understand that they are used in relation to rentcharges
- a. where paragraph 3 of Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996 (trust in case of family charges) applies to the land on which the rent is charged or would apply if the land was not settled land or subject to a trust of land;
  - b. where an Act of Parliament provides for the creation of rentcharges in connection with the execution of works on land or commutation of any obligation to do such work; and,
  - c. where a court requires the creation of the rentcharge.
11. We do not have information about how many of these types of rentcharges are created, how they are used or whether the remedies in sections 121 and 122 of the 1925 Act are used to enforce them. It considers that the use of these remedies is also likely to be excessive in those situations and is so minded to repeal these sections completely. That will remove these remedies for all rentcharges. However, we appreciate that it is possible that removing these remedies for the rentcharges listed above could lead to unintended consequences and we would like to gather further information to try and understand if there are any grounds for retaining sections 121 and 122 in any circumstances.
12. While LFRA 2024 strengthened consumer rights and removed disproportionate remedies for income-supporting rentcharges, it did not address the enforcement of estate rentcharges used on private estates. The resulting concerns relate largely to the existing stock of freehold estates, where section 121 LPA remedies may still apply.

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<sup>77</sup> [Enhanced protections for homeowners on freehold estates - GOV.UK](#)

<sup>8</sup> [Law of Property Act 1925](#)

13. On many newer freehold estates, these remedies are now generally disapplied or alternative mechanisms such as chains of covenants are used, reflecting market awareness of the impact on mortgageability and saleability. However, the historic stock of freehold estates remains a significant problem. For these properties, the continued availability of section 121 remedies creates a material risk for homeowners and has an adverse impact on the housing market by increasing the time and cost involved in selling a property. Mortgage lenders may require deeds of variation to remove the use of these remedies before approving loans, yet such variations depend on the consent of the rentcharge owner, as homeowners lack a statutory right to request them. This can cause delays and leave homeowners vulnerable to exploitation.
14. Beyond this, the government remains firmly committed to ending the injustice of 'fleecehold' entirely and to reducing the prevalence of estate management company arrangements on privately managed estates. On 18 December 2025, government published a consultation "Reducing the prevalence of private estate management arrangements"<sup>9</sup> on wide-ranging reforms including options to reduce the prevalence of unadopted estates and the injustices associated with them. The consultation closed on 12 March 2026.

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<sup>9</sup> [Reducing the prevalence of private estate management arrangements - GOV.UK](#)

## 4.2 Rationale for intervention

15. From an economic perspective, the current system exhibits several market failures:

- **Power imbalance:** Estate rentcharge owners hold a stronger position than homeowners, as they retain the ability to trigger disproportionate enforcement outcomes, such as taking possession or granting a long lease over the property, which can be deployed in response to relatively small arrears. Homeowners, by contrast, lack meaningful leverage to negotiate fairer terms or resist unreasonable enforcement, as they have no statutory right to request variations and limited ability to challenge terms embedded in historic deeds. Estate rentcharge owners have no incentive to agree them. For example, in property transactions, mortgage lenders may require a deed of variation to remove section 121 remedies, yet sellers cannot compel the rentcharge owner to provide one, leading to delays, increased transaction costs and, in some cases, failed sales.
- **Information asymmetry:** Many homeowners are either unaware of estate rentcharges at the point of purchase or do not fully understand the scale of the potential enforcement consequences or the impact on future saleability. In practice, conveyancing processes may not consistently convey the risks, and the legal complexity of section 121 remedies means ordinary buyers cannot reasonably be expected to assess the likelihood or severity of harm. This problem is exacerbated by the absence of any statutory notice requirement before enforcement can be triggered. A homeowner may miss a single payment, and the 40-day period can lapse without their knowledge. At that point, they may suddenly face disproportionate enforcement action despite having received no warning. This heightens consumer vulnerability, particularly for those with irregular post access, limited understanding of the system, or who rely on managing agents to issue clear and timely bills.

### Evidence base

16. While the remedies in section 121 and 122 LPA 1925 may have been suitable historically and in a different context, they are now wholly disproportionate for use in such circumstances. The case of *Roberts v Lawton* [2016] highlighted the risks: a rentcharge owner granted a 99-year lease for arrears of no more than £15, demanding £650 plus VAT for surrender.<sup>10</sup> This demonstrates how these remedies can create a stranglehold on freehold titles.

17. While the actual use of these remedies may be infrequent, the threat of enforcement is used more often to ensure compliance, creating a chilling effect on homeowners. The fact that action can be taken without any requirement to give notice of the arrears or warning that the enforcement action will be taken, underscores their draconian nature.

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<sup>10</sup> [Jonathan Howard Roberts and ors v Gerard and Siobhan Hurst and ors.doc](#)

18. The significant risk created for homeowners has led to an adverse impact on the housing market. Mortgage lenders often require deeds of variation to remove the use of these remedies before approving loans, adding time and cost to transactions. Such variations require the consent of the rentcharge owner, as homeowners lack statutory rights to request this change. This can cause delays, failed transactions and leave people vulnerable to exploitation. For new freehold titles, we understand that developers are choosing to avoid estate rentcharges altogether, to ensure marketability and mortgageability, opting instead to structure shared services and maintenance responsibilities via positive covenants or alternative mechanisms rather than estate rentcharges, specifically to avoid triggering these remedies.
19. This impact assessment draws on stakeholder input and qualitative analysis. Due to the lack of evidence, there is a high degree of uncertainty compared with more established policy areas. We welcome stakeholder feedback and additional evidence to strengthen analysis. Relatedly, government recent conducted two consultations on freehold estates: “*Enhanced protections for homeowners on freehold estates*” and “*Reducing the prevalence of private estate management arrangements*”<sup>11</sup>, which both closed on 12 March 2026.

### **Action taken to date**

20. In February 2023, the CMA opened an investigation into the housebuilding market, including charges levied on privately managed residential estates. Its final report<sup>12</sup> (February 2024) identified significant issues with private estate management practices. The CMA concluded that:
- a. Homeowners have limited rights and protections when challenging estate management charges.
  - b. Enforcement powers under the LPA 1925 are disproportionate, allowing rentcharge owners to take possession or grant a lease over a property for minor rentcharge arrears.
  - c. These practices undermine consumer confidence and create barriers in the housing market.
21. The CMA recommended urgent action to strengthen consumer protections for homeowners on existing privately managed estates and prevent the proliferation of private management arrangements on new housing estates.
22. The government confirmed its intention to consult on further reforms to private estate management. On 18 December 2025, the government launched two consultations on how best to implement new consumer protections for homeowners on freehold estates

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<sup>11</sup> [Reducing the prevalence of private estate management arrangements - GOV.UK](#)

<sup>12</sup> [Housebuilding market study final report](#)

that were set out in the 2024 Act, and the ways in which we might reduce the prevalence of privately managed estates over the coming years. These consultations closed on the 12 March 2026. However, the CMA's findings underline the urgency of intervention: homeowners remain exposed to remedies that are widely regarded as draconian and outdated.

23. For these reasons, provisions to repeal sections 121 and 122 of the LPA 1925 for estate rentcharges and introduce notice requirements have been included in the draft Bill now. Acting early is essential for three reasons:

- a. Strengthening evidence through scrutiny: including these provisions in the draft Bill enables Parliament's pre-legislative scrutiny process to surface additional evidence and stakeholder perspectives, ensuring subsequent reforms are informed and robust.
- b. Preventing harm at the earliest opportunity: current remedies allow rentcharge owners to take possession or grant a lease over a property for very small arrears, without notice. Delaying action leaves families exposed to disproportionate penalties and uncertainty.
- c. Sending a clear signal to industry: including provisions in the draft Bill sets an unequivocal expectation that exploitative practices will not be tolerated. This discourages rentcharge owners from pursuing aggressive enforcement and begins to shift behaviour ahead of wider reforms.

24. By acting now, the government demonstrates leadership, protects consumers from immediate harm, and accelerates the cultural shift towards fairer estate management, while exploring longer-term reforms. It also allows access to the pre-legislative scrutiny process. Waiting for a broader consultation to conclude would mean prolonging risk and missing the opportunity to shape industry behaviour at a critical moment. The government is however taking the opportunity to gather evidence through consultation, *Enhanced protections for homeowners on freehold estates* on the specific categories of statutory estate rentcharges mentioned within it, to ensure repeal does not unintentionally affect enforcement in those areas. This consultation closed on 12 March 2026.

### 4.3 Policy objective

25. The government's aim is to protect homeowners from disproportionate enforcement remedies associated with estate rentcharges and to ensure fair treatment regarding the enforcement of arrears. This objective seeks to ensure that enforcement processes are proportionate, subject to appropriate procedural safeguards, reducing risks for homeowners and improving confidence in the housing market.

#### **Objective 4 – Protect homeowners from disproportionate enforcement remedies associated with estate rentcharges and ensure fair treatment in arrears situations**

26. **Specific:** The objective is to ensure that enforcement provisions for estate rentcharges operate in a way that is fair, proportionate and consistent with more modern arrears recovery practices.

27. **Measurable:** Progress can be assessed through observable changes in the enforcement environment, including the extent to which disproportionate remedies are no longer available or used, greater clarity and predictability in enforcement processes, and improved indicators of lender and consumer confidence. We will also explore metrics around increased lender confidence.

28. **Achievable:** The objective can be achieved through changes to the statutory framework governing rentcharge enforcement, supported by any appropriate guidance to ensure that any revised framework is understood and embedded for implementation.

29. **Relevant:** Addressing the risk of disproportionate enforcement supports wider government goals of promoting fairness, transparency and consumer protection in housing markets, while reducing systemic risks that affect homeowners, lenders and the functioning of the housing market.

30. **Time-bound:** The objective is time-bound in that it will be met once changes to the enforcement framework have been formally established and are in effect, ensuring that fair and proportionate arrangements apply consistently to arrears situations from commencement. This will be tracked as part of the monitoring and evaluation of the reforms.

31. While Objective 4 focuses specifically on estate rentcharges, the government recognises that sections 121 and 122 of the Law of Property Act 1925 also apply to a number of other rentcharge types (see paragraph 7). The government considers that the use of these remedies is also likely to be excessive in those situations and is so minded to repeal these sections completely. Government consulted on potential unintended consequences that intervention has on different types of non-estate rentcharges '*Enhanced protections for homeowners on freehold estates*', which closed on 12 March 2026. The government remains open-minded on whether further changes are necessary.

#### 4.4 Description of options considered

32. This section presents the two options shortlisted for detailed appraisal in this annex: the Do Nothing (Non-legislative) Counterfactual and the Preferred Option to repeal sections 121 and 122 of the Law of Property Act 1925 and introduce a statutory notice requirement.
33. A wider longlist of non-preferred and exploratory alternatives was assessed during the development of this Impact Assessment, and the shortlisting of only a counterfactual and preferred option reflects both the specific and well-defined policy problem of disproportionate enforcement remedies associated with estate rentcharges as well as the clear direction of travel established by stakeholder evidence, market practice, previous regulation and the CMA's findings.
34. By setting out a 'Do Nothing' option and a preferred option, we seek to provide a transparent and proportionate comparison of how maintaining the status quo would perpetuate the existing risks to homeowners, lenders, and the housing market, and how the preferred option addresses those risks through targeted, modernising reform.

#### **Option 0 – Do Nothing (Non-legislative) (Counterfactual)**

35. **Baseline comparator:** This option represents the status quo and serves as the counterfactual for appraisal purposes. It assumes no legislative or non-legislative action to reform to estate rentcharge enforcement. Outcomes under this scenario provide the benchmark for assessing the impacts of alternative options.
36. **Description:** No changes are made to enforcement provisions under the Law of Property Act 1925. Estate rentcharge owners retain their existing statutory remedies, including taking possession of a homeowner's property until arrears are cleared; granting a long lease over the property, even for minor arrears; appointing a receiver to take control of rental income or sums due. These remedies remain available regardless of the amount owed and without procedural safeguards. Homeowners continue to face disproportionate enforcement risks, and lenders maintain requirements for deeds of variation to mitigate these risks. Market distortions persist as uncertainty continues to affect lending decisions and slows transactions. No improvements are made to transparency, consumer protection, or the efficiency of estate management practices.
37. **Assessment against SMART objective:**
- **Objective 4 - Protect homeowners from disproportionate enforcement remedies associated with estate rentcharges:** Not met. No measures are introduced to reduce the disproportionate enforcement remedies associated with estate rentcharges. There is no measurable improvement in indicators such as use of remedies, lender requirements, or transaction delays, and protection cannot be achieved while the current legal framework remains in place. The status quo is not realistic, as there is no reason

to expect the system to self-correct, and the option offers no pathway or timeline for improvement, meaning risks persist indefinitely.

38. **Expected outcomes:** If no action is taken, homeowners will continue to face the risk of disproportionate enforcement remedies for minor arrears, including possession of their property until arrears are cleared or a lease being granted over their property. Mortgage lenders will persist in requiring deeds of variation to mitigate these risks, adding cost and delays to property transactions. Confidence in the housing market will remain undermined, and industry practices will not change, leaving the threat of disproportionate enforcement as a continuing concern.

39. **Benefits and Costs:**

Stakeholder	Impact
<b>Estate Rentcharge Owners</b>	<b>Benefit:</b> Retain strong enforcement leverage. No compliance burden. <b>Cost:</b> No additional costs under this option.
<b>Homeowners</b>	<b>Benefit:</b> None <b>Cost:</b> Continued risk of possession or long leases for very small arrears. Stress and financial harm for homeowners. Potential for housing transaction risk when looking to sell or remortgage.
<b>Mortgage lenders</b>	<b>Benefit:</b> None <b>Cost:</b> Ongoing need for deeds of variation. Higher transaction costs and delays and reduced lending confidence.
<b>Housing market</b>	<b>Benefit:</b> None <b>Cost:</b> Persistent uncertainty and inefficiencies. Slower transactions and reduced consumer confidence.

40. **Small and micro business impact:** No change to current practices.

41. **Distributional impacts:** The impacts fall predominantly on freehold homeowners subject to estate rentcharges and on the financial and conveyancing services involved in transactions on such properties. We expect impacts are likely to be geographically concentrated in regions with significant estate management adoption (i.e., higher housing supply during the time these estates were delivered), notably in the south-east).

42. **Risks and uncertainties:**

Risk	Description	Likelihood	Impact	Mitigation
Policy credibility	Failure to act despite CMA findings and LFRA reforms undermines trust.	High	High	None – inherent to the Do-Nothing scenario. Serves as baseline comparator only.
Ongoing market inefficiencies	Continued lender caution slows transactions.	Medium	Medium	None under this option.

43. **Public sector costs:** Minimal direct cost. However, the public sector continues to face indirect burdens, including judicial pressure from disputes, economic and fiscal impacts from extended timeframes in property transactions.
44. **NPSV:** Qualitative assessment: Overall, negative. While the option introduces no direct implementation costs, this does not equate to neutrality. Significant non-monetised harms persist, including continued consumer detriment, market inefficiency and lender burden. These factors represent an opportunity cost and undermine fairness and confidence in freehold homeownership.
45. **Conclusion:** This option is not taken forward because it does not deliver any progress toward the SMART objective. Retaining the existing enforcement framework allows the disproportionate risks associated with estate rentcharges to continue unchecked and fails to address recognised consumer detriment or market inefficiencies. As a result, the Do-Nothing option represents poor value for money compared with feasible alternatives.

## 4.5 Preferred option and implementation plan

### 4.5.1 Summary

#### **Preferred Option: Repeal of Sections 121 and 122 and introduction of a new notice requirement**

46. To repeal sections 121 and 122 of the Law of Property Act 1925 so that rentcharge owners may only use proportionate enforcement measures. A new section, section 120AA, will require estate rentcharge owners to provide notice before enforcement action can commence. This reform removes draconian and disproportionate remedies while ensuring that legitimate obligations remain enforceable.

#### Detail of the regulatory provisions

47. To repeal sections 121 and 122 of the Law of Property Act 1925, which currently allow rentcharge owners to take possession of a property until arrears are cleared, grant a lease over the property, or appoint a receiver with mortgagee-like powers, without notice and even for very small arrears. These remedies have been widely regarded as disproportionate and create significant risks for homeowners.

48. Also, the government will insert a new section 120AA into the Law of Property Act 1925, introducing a requirement for estate rentcharge owners to serve notice before taking enforcement action. This notice must include information such as the amount owed and payment details, and it must allow a minimum of 30 days before any further steps are taken. These changes ensures that enforcement is proportionate and that homeowners receive fair warning before any legal action is taken to recover arrears.

49. The repeal will apply to all rentcharges, while the new notice requirement will apply specifically to estate rentcharges. The notice requirement mirrors the approach taken in relation to income-supporting rentcharges. Importantly, rentcharge owners will retain access to proportionate enforcement options, including contractual cost recovery clauses in transfer deeds, the use of debt recovery services, pursuing arrears through the small claims court (where a six-year limitation period applies), and serving statutory demands for significant arrears. These measures strike a balance between protecting homeowners and maintaining the enforceability of legitimate obligations.

50. Repealing sections 121 and 122 will also remove these remedies being used in circumstances where:

- paragraph 3 of Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996 (trust in case of family charges) applies to the land on which the rent is charged or would apply if the land was not settled land or subject to a trust of land;
- an Act of Parliament provides for the creation of rentcharges in connection with the execution of works on land.
- a court order requires the creation of the rentcharge.

51. The government has no information about how these alternative types of rentcharges are created and how they are used, but we consider that the remedies available under sections 121 and 122 are likely to be disproportionate in all cases and unsuitable for the modern age. The government will however use the pre-legislative scrutiny process, and our consultation “*Enhanced protections for homeowners on freehold estates*” which closed 12 March 2026, to explore whether there is a case to retain these remedies in these additional circumstances

### **SMART objectives analysis for the preferred option**

52. **Specific:** The preferred option directly targets the disproportionate enforcement powers currently available to rentcharge owners under sections 121 and 122 of the Law of Property Act 1925. It removes remedies that allow possession, the granting of a lease, or the appointment of a receiver for even very small arrears and introduces a new statutory notice requirement (section 120AA) to ensure that homeowners receive clear information and a minimum 30-day period before enforcement action. The reforms preserve access to proportionate enforcement routes and aligned with other modern arrears recovery systems, while eliminating draconian measures that place homeowners at risk.

53. **Measurable:** The reform is expected to reduce the use of disproportionate enforcement remedies to zero following commencement and to eliminate lender driven deeds of variation associated with section 121 and 122 risks. Progress can be observed through conveyancing feedback, lender policy updates, and reductions in consumer detriment linked to rentcharge enforcement. This will form part of the programme-wide evaluation, and wider ongoing departmental monitoring, as set out in **Section 4.6.12**.

54. **Achievable:** This preferred option builds on a clear evidence base from case law, conveyancing sector reports, CMA findings, and stakeholder feedback identifying section 121 and 122 remedies as disproportionate and harmful. Existing, alternative enforcement routes like debt recovery services are already well-established and require no new institutional capacity. The changes are achievable through the Commonhold and Leasehold Reform Bill. The government has the legislative and administrative capacity to implement the repeal and the new notice requirement.

55. The preferred option removes these remedies for all rentcharges, not just those that that apply to privately managed housing estates. Specifically, this would mean also removing these remedies:

- a. where paragraph 3 of Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996 (trust in case of family charges) applies to the land on which the rent is charged or would apply if the land was not settled land or subject to a trust of land;

- b. where an Act of Parliament provides for the creation of rentcharges in connection with the execution of works on land or commutation of any obligation to do such work; and
  - c. where a court requires the creation of the rentcharge.
56. The government has sought further information on the impact that repealing sections 121 and 122 would have on these rentcharges, through the consultation “*Enhanced protections for homeowners on freehold estates*”, which closed on 12 March 2026. The purpose of this consultation is to understand whether there is any evidence-based justification for retaining sections 121 and 122 in any limited or exceptional circumstances, without altering the overall policy position that these disproportionate remedies should not form part of a modern enforcement framework.
57. Engagement with managing agents, lenders, conveyancers and consumer groups will support effective implementation and ensure that proportionate enforcement routes remain accessible and well understood.
58. **Realistic:** The reform aligns closely with the broader direction set by the Leasehold and Freehold Reform Act (LFRA) and reflects current market practice and stakeholder expectations for modern, proportionate enforcement.
59. **Time-bound:** The reforms are linked to the legislative timetable for the Commonhold and Leasehold Reform Bill. Protections take effect from commencement of the relevant provisions, delivering immediate and ongoing consumer protection by removing draconian remedies from the system and ensuring that notice requirements apply from day one.
60. **Overall Fit: Strong.** This option is well-aligned with the objective to protect homeowners from disproportionate enforcement remedies. It is specific, measurable and achievable within the legislative timeframe, and realistic given strong stakeholder support and the limited operational impact on industry.

#### Expected outcomes

61. The reforms are expected to deliver clear benefits across multiple stakeholder groups. For existing and future homeowners, these measures will improve fairness and reduce market distortions such as the need for deeds of variation. Mortgage lenders are likely to have greater confidence in lending on properties subject to estate rentcharges, which should reduce transaction delays and associated costs. Rentcharge owners will retain the ability to recover arrears through proportionate means, although recovery times may lengthen slightly compared to the current regime. At a market level, the changes will strengthen consumer protection and align enforcement practices with good industry standards, reducing reputational risks for estate management and supporting a more transparent and balanced system.

62. We also know that sometimes the threat of the remedies in s121 and 122 of the Law of Property Act 1925 is used in order to get homeowners to agree to pay charges that they might otherwise challenge. This is particularly important so that homeowners can realise the full benefits of new right, powers and protections of homeowners on private estates that will be brought forwards by implementing measures in the Leasehold and Freehold Reform Act. These reforms in concert with our wider changes will empower homeowners, freeing them from facing unfair threats such as having a lease imposed on their homes without notice, when they challenge the actions and charges of management companies.

### Implementation

63. The draft Bill will deliver these changes through primary legislation. Transitional guidance will be developed for rentcharge owners, conveyancers, and lenders to ensure smooth implementation. Templates for notices may be provided to reduce administrative burden.

## 4.6 NPSV: Monetised and non-monetised costs and benefits

### 4.6.1 Impact Assessment Approach

65. This impact assessment considers the potential impacts of reforms to estate rentcharge enforcement remedies. Primary impacts will fall on homeowners on managed estates, rentcharge owners, mortgage lenders, and estate management companies, with secondary implications for legal professionals and debt recovery agencies. The changes may also affect those relying on remedies under sections 121 and 122 in circumstances where specific statutory or trust-related provisions apply, such as trusts in case of family charge under Schedule 1 to the Trusts of Land and Appointment of Trustees Act 1996, rentcharges created by statute for works on land (or commutation of such works), or court-ordered rentcharges.
66. Stakeholder engagement with the consumer group HorNets, has suggested that the use of these enforcement remedies in new deeds appears to have declined in recent years and that from around 2014-2015 the inclusion of these enforcement remedies in deeds declined significantly. However, these enforcement remedies are still available in the relevant housing stock and there is some residual use in new deeds.
67. Evidence of current enforcement practices is limited, with few documented cases of these remedies being used, though anecdotal reports suggest the threat is more common, and their presence continues to cause concern among both consumers and professionals.
68. Legal commentary and practitioner guidance highlight that such remedies are rarely enforced but remain available. This creates a disproportionate risk compared to the small sums typically owed, and mortgage lenders frequently flag this as a major concern, sometimes refusing to lend unless protective clauses are included in the transfer deed. Where these cases occur and sections 121 and 122 enforced, stakeholder engagement suggests the process typically takes between 12-24 months.
69. Despite current evidence gaps, this impact assessment provides a robust qualitative appraisal to support pre-legislative scrutiny and establish a clear foundation for reform. We have drawn on available evidence and will strengthen the evidence base through parliamentary scrutiny of the draft Bill. By framing the rationale and potential impacts now, we enable informed debate and constructive scrutiny ahead of implementation. Using proportionate qualitative analysis at this stage aligns with Green Book principles, ensuring rigorous and inclusive policy development even where precise quantification is not yet possible. **The government is committed to gathering further data on the prevalence of estate rentcharges, enforcement practices, and potential business impacts, and welcomes additional evidence from stakeholders.**

70. This appraisal compares the proposed reforms against the counterfactual scenario of the current position under section 121 and 122 of the Law of Property Act 1925.

**Future updates to the analysis:**

71. An updated Impact Assessment will be published alongside a substantive Bill reflecting emerging evidence from stakeholder feedback as well as insights gained through pre-legislative scrutiny of the Commonhold and Leasehold Reform Bill.

*4.6.2 Costs and Benefits*

72. Expected cost and benefits have been assessed qualitatively, assuming a ten-year appraisal period (2028-2037). **Table 4.1** sets out the breakdown of costs and benefits associated with the preferred option to reform estate rentcharge enforcement remedies. No costs to businesses or households have been monetised.

*Table 4.1: Costs and benefits to households and businesses*

<b>Impact</b>	<b>Groups impacted</b>	<b>Direct/indirect</b>
<b>Benefits</b>		
Remove disproportionate enforcement risk	Homeowners	Direct
Improved lending confidence through reduced transaction complexity and cost in buying, selling and mortgaging homes	Homeowners, lenders	Direct
Consumer confidence and wellbeing	Homeowners	Indirect
Reduction in use of threats	Homeowners	Direct
Clearer framework	Homeowners, rentcharge owners, estate management companies, lenders and legal professionals	Direct
<b>Costs</b>		
Potential for longer dispute resolution	Rentcharge owners	Indirect
Possible increase in legal engagement for contested arrears	Rentcharge owners	Indirect
Familiarisation costs	Rentcharge owners, estate management companies, legal professionals, debt recovery agencies and lenders	Direct
Implementation costs	Rentcharge owners and estate management companies	Direct
Compliance costs	Rentcharge owners and estate management companies	Indirect

### 4.6.3 Costs and benefits to homeowners

#### Benefits

73. **Remove disproportionate enforcement risk (direct)** - Under the current system, homeowners face the possibility of a rentcharge owner entering into possession of their property, granting a lease over it or appointing a receiver with mortgagee-like powers, over relatively minor arrears. This regime exposes homeowners to small but significant risk of catastrophic loss. These remedies bypass the courts and do not require any judicial test of fairness. Although these remedies are rarely exercised, their mere existence is widely regarded as disproportionate and inconsistent with modern enforcement standards. Preventing rentcharge owners from using these remedies and limiting enforcement to proportionate measures will eliminate this risk and stem the potential for unfair and costly outcomes for homeowners. The reforms ensure that homeowners can resolve arrears through fair, transparent processes without the fear of losing control of their home for a minor breach.
74. Over time, this reform will strengthen trust in estate management practices, which will enhance consumer confidence in managed estates, reduce disputes, support smoother sales, and foster long-term relationships between homeowners and management companies, contributing to a more stable housing market.
75. **Improved lending confidence through reduced transaction complexity and cost in buying, selling, and mortgaging homes (direct)** - Reform will reduce transaction delays and associated legal costs, increase lender confidence and could potentially improve access to credit and lower borrowing costs. Lenders have identified enforcement remedies under sections 121 and 122 as a material risk. Currently, lenders routinely require these provisions to be disapplied or modified during property sales or mortgage applications. Where this is not possible, homeowners often need indemnity insurance, which is not always acceptable to lenders. This creates uncertainty and delays in conveyancing, sometimes leading to additional costs for searches and extended timelines. Homeowners are frequently required to negotiate these changes without any statutory right, incurring both a premium and legal fees. For example, one consumer group estimated that a deed of variation in these instances could cost between £250 to £500, and homeowners must also pay their own solicitor's costs. Anecdotal evidence suggests this process can take several weeks to resolve between solicitors, adding stress and cost to transactions. By removing these remedies entirely, the reform eliminates the need for such negotiations and indemnity policies, reducing transaction delays, legal costs, and administrative burden for homeowners.

### **Illustrative savings:**

*The figures below should be treated as illustrative.*

*With up to 1.75 million<sup>13</sup> homes on privately managed estates (although we do not know how many of these are privately managed) and an average household moving every c.16 years<sup>14</sup>, approximately 100k homeowners per year might be selling a property subject to an estate rentcharge. While we do not know how many already have secured deeds of variation, if we made an uncertain illustrative assumption of 50% at a cost of c.£400<sup>15</sup>, this would imply a saving of c.£20 million per year. If the assumption surrounding how many individuals have already secured deeds of variation were higher or lower, the overall figure would also change accordingly.*

- 76. Consumer confidence and wellbeing (indirect)** - Stronger protections against disproportionate enforcement will improve homeowners' sense of security, reducing stress and anxiety associated with the current regime. Homeowners will have confidence that any enforcement will be reasonable, reducing stress and anxiety, particularly among vulnerable groups. This is particularly relevant for vulnerable groups who may be disproportionately affected by enforcement threats. This stronger protection is expected to improve overall wellbeing and encourage homeowners to engage more confidently in dispute resolution, knowing outcomes will be fair and equitable.
- 77. Reduction in use of threats (direct)** - Under the current regime, the existence of sections 121 and 122 can create a perceived "threat effect." While these remedies may be rarely exercised, their availability can give management companies leverage over homeowners. Anecdotal evidence suggests that these provisions are sometimes referenced in correspondence or legal notices to pressure homeowners into accepting disputed charges or contractual terms. This perceived risk of enforcement can deter homeowners from challenging charges, reinforcing a power imbalance. This effect only arises where the remedies have not already been disapplied through deed of variation.
- 78. Repealing these provisions and introducing a notice requirement for estate rentcharges** would remove this leverage entirely, enabling homeowners to question charges and management practices with greater confidence. This reform reduces vulnerability to coercive tactics, improves fairness, and strengthens consumer rights and bargaining power. Over time, it is expected to foster a more balanced relationship between homeowners and estate management companies, reduce disputes, and encourage fairer charging practices across the sector, where homeowners will feel more secure and confident in exercising their rights.

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<sup>13</sup> This figure is based on data from the 2020-21 English Housing Survey. It is highly uncertain and subject to several caveats, including that this data is self-reported data from the question 'is your home on a private estate?' and respondents' interpretation of what constitutes a private estate may differ from the generalised understanding of freehold estates in this impact assessment. It also only covers owner occupiers and is only asked to freeholders, so individuals who rent properties on freehold estates are not included in this figure. This figure is only asked to those in houses/bungalows, so misses individuals living in flats.

<sup>14</sup> EHS internal analysis, 2023-2024 data for flats and houses.

<sup>15</sup> From stakeholder engagement with Hornets,

79. **Clearer framework (direct)** - The reforms introduce a clear notice requirement before enforcement action of estate rentcharge arrears can begin, ensuring homeowners receive timely and transparent information about any arrears and the potential consequences. This change improves predictability and reduces ambiguity, lowering compliance risk and helping avoid costly legal disputes. By providing early warning and a structured timeframe for resolution, the notice requirement is expected to encourage proactive engagement and support fairer outcomes for both homeowners and rentcharge owners by giving homeowners the opportunity to correct errors or resolve arrears before costs escalate, while giving rentcharge owners a clear route to recovering legitimate sums.

#### Costs

80. No costs to homeowners have been identified.

#### 4.6.4 Benefits and Costs to Business

81. The reforms will affect a range of stakeholders, including rentcharge owners, estate management companies, legal professionals, debt recovery agencies, and mortgage lenders.

#### Benefits

82. **Clearer framework (direct)** - The reforms create a transparent and predictable enforcement regime, reducing ambiguity for developers, managing agents, and lenders. We expect this clarity to lower compliance risk, simplify operational planning, and help avoid costly legal disputes, supporting more efficient business practices. The removal of transaction friction caused by lender requirements for deeds of variation or indemnity policies will also streamline conveyancing processes. This reduces delays and administrative complexity for managing agents and legal professionals, creating a more predictable and competitive housing market over time.

83. **Improved lending confidence through reduced transaction complexity and cost in buying, selling, and mortgaging homes (direct)** – As discussed above; by removing disproportionate enforcement powers and introducing a clearer, more predictable enforcement framework, the reforms materially reduce lenders' risk exposure on properties subject to estate rentcharges. Lenders gain assurance that a homeowner cannot abruptly lose their interest through possession, the grant of a lease, or the appointment of a receiver. These remedies have created uncertainty in lending decisions and could result in additional checks, delays, or adverse lending terms. Greater legal clarity means fewer exceptional assessments, faster conveyancing, and lower administrative costs for lenders. This strengthened confidence enhances mortgage availability, supports smoother sales and remortgages, and improves market

liquidity, indirectly benefiting developers, managing agents, and the wider housing market.

## Costs

84. **Potential for longer dispute resolution (indirect)** - Under the current regime, sections 121 and 122 provide rentcharge owners with immediate remedies that are not subject to specific procedural safeguards. These provisions confer a contractual right on rentcharge owners to enforce non-payment without the need for prior notice or a court judgment, making the process significantly more effective and direct compared to other enforcement routes that require court involvement. Moving to proportionate remedies, such as recovery through the small claims court, could mean that rentcharge owners face longer timelines for resolving disputes. This reflects the inherent timeframes associated with issuing, responding to, and determining claims through the court system. It is important to note that where deeds of variation have already disapplied sections 121 and 122, rentcharge owners are already relying on alternative enforcement mechanisms. In these cases, the reform would not change the current position, and timelines for dispute resolution would remain broadly the same. Some additional time and administrative effort therefore represent an inherent, and justified, feature of a fairer system.
85. **Possible increase in legal engagement for contested arrears (indirect)** – With the removal of remedies under sections 121 and 122, enforcement would rely on proportionate routes such as court proceedings. Should disputes escalate to court, rentcharge owners may incur additional legal costs, such as solicitor fees or court filing charges. As noted in paragraph 124, there would be no material negative change in cases where rentcharge owners are already relying on alternative enforcement, and the introduction of a notice requirement should help reduce the likelihood of escalation by promoting early dialogue and resolution.
86. Businesses will incur **familiarisation, implementation and compliance costs (non-monetised)**, these are explored in the section below.

### *4.6.5 Administrative, familiarisation and compliance costs for preferred option*

## Costs

87. **Familiarisation Costs (direct)** - Rentcharge owners, debt recovery agencies and mortgage lenders will incur one-off costs to review legislative changes and understand new obligations. As well as this, estate management firms will need to train staff responsible for arrears recovery and client communications and update internal systems and templates to reflect the notice requirement. Legal professionals will also need to familiarise themselves with the repeal of sections 121 and 122 and the introduction of new notice requirements, ensuring advice and documentation are updated accordingly.

These costs are expected to be absorbed as part of routine compliance updates and are considered low.

88. **Implementation costs (direct)** - Rentcharge owners and estate management companies will need to issue compliant notices before taking enforcement steps. This will involve preparing and sending notices that include prescribed information, such as the amount owed, payment details, and a minimum 30-day period, and updating internal workflows to ensure compliance with the statutory notice period. These costs are expected to be modest because notices can be standardised using templates, and most firms already issue informal reminders before enforcement. The requirement therefore formalises existing practice rather than introducing a wholly new process.
89. Legal professionals will also need to update standard documentation, precedents, and advice processes to reflect the new requirements. This may involve minor compliance and training costs, which are expected to be one-off and absorbed as part of routine updates.
90. Evidence on the prevalence and enforcement practices of non-estate rentcharges is limited. If these are affected by the repeal, some businesses may need to adapt processes further, though this is expected to be rare.
91. **Compliance costs (indirect)** – Estate management and rentcharge owners may incur additional expenses as they transition to alternative enforcement routes, such as pursuing arrears through the small claims court or engaging debt recovery services. While these processes are established and relatively low-cost, they can be slower than current remedies under sections 121 and 122, which allow enforcement without prior notice or court involvement. This could marginally increase operational costs and extend timelines for recovering arrears.
92. Where deeds of variation have already disapplied sections 121 and 122, businesses are already using these alternative routes, so the impact will be negligible in those cases.

#### *4.6.6 Impact on small and micro businesses*

93. The measure is not expected to impose significant costs on small or micro businesses. Where small and micro firms are involved in estate rentcharges, impacts are likely to be limited to minor administrative adjustments and transitional training costs. These costs are expected to be low, comparable relative to larger firms, and we have no evidence of disproportionate burden on this particular group. However, this assessment is based on limited data, and the government invites further evidence from affected businesses to validate these assumptions.
94. Exempting SMBs would undermine the policy's core objective of ensuring consistent and fair treatment of homeowners on freehold estates, regardless of the size of

rentcharge owner. The reform must apply uniformly to maintain legal clarity and consumer protection.

#### *4.6.7 Business environment*

95. The reform might encourage earlier dispute resolution and alternative civil remedies, but whether this reduces litigation costs or creates new compliance burdens is unknown. Potential effects on innovation, competition, and barriers to entry are difficult to quantify through the current evidence base.

96. The measure applies only to England and Wales, and no significant impacts are anticipated on the UK Internal Market or cross-border trade. Greater alignment with international norms may enhance perceptions of fairness, but the extent of any reputational or investment gains is uncertain.

#### *4.6.8 Trade implications*

97. The preferred option is domestic in scope and does not regulate goods or services traded internationally. Current analysis has not identified any direct impacts on international trade or investment, but the overall effect remains uncertain. The reform does not create new requirements for goods or services, nor does it appear to affect cross-border transactions or market access. It applies equally to all homeowners on freehold estates and rentcharge owners in England and Wales, regardless of nationality, and does not introduce discriminatory provisions or technical barriers to trade.

98. No impacts have been identified for exporters or businesses engaged in tradable sectors.

#### *4.6.9 Environmental implications*

99. Whilst our assessment is based on limited evidence, no adverse effects on environmental outcomes have been identified. Given the indirect nature of the intervention, secondary impacts, such as changes in estate management practices, cannot be fully ruled out.

100. We have not identified any impacts on natural capital, ecosystem services, or decarbonisation objectives.

#### *4.6.10 Wider impacts*

##### Externalities and systemic effects

101. **Market resilience and systemic risk reduction.** The reform promotes market efficiency by removing disproportionate enforcement mechanisms that create uncertainty and transaction friction. Mortgage lenders have previously flagged these remedies as a barrier to mortgage approvals, which can distort markets and delay transactions. By eliminating these remedies, the reform improves lender confidence and supports smoother conveyancing processes. It also reduces reliance on costly workarounds such as indemnity products and bespoke deed variations. Over time, this

is expected to foster a more transparent, predictable, and competitive housing market, aligning with CMA recommendations and signalling clear regulatory expectations to developers, managing agents, and lenders.

#### Distributional impacts:

102. The reforms are expected to have positive distributional effects for homeowners, particularly those on lower incomes or with limited financial resilience, as they will no longer face disproportionate enforcement risks for small arrears. This change reduces the likelihood of severe outcomes, such as loss of the home, arising from relatively minor debts.
103. The measure also benefits first-time buyers and those seeking mortgages, as improved mortgageability and reduced legal complexity may lower transaction costs and barriers to entry.
104. Conversely, the impact on rentcharge owners is mainly concentrated among a relatively small group of property developers and estate management firms (as well as those who own non-estate rentcharges), who may experience longer arrears recovery times and higher administrative costs. These costs are unlikely to be passed on to consumers in a significant way, given the availability of alternative remedies and the competitive nature of estate management services.

#### Equalities impact:

105. The reforms discussed in this annex primarily affect homeowners on these estates. We have seen no evidence that the reforms are likely to create disproportionate impacts for groups with protected characteristics under the Equality Act 2010. However, robust assessment is constrained by data limitations: there is no dedicated dataset covering the protected characteristics of homeowners on managed estates. While individuals from all protected groups are present in homeownership on these estates, representation varies. This uneven distribution introduces uncertainty about the precise equalities impact.
106. Vulnerable homeowners, such as older people, disabled individuals, and those on lower incomes, are expected to benefit most from the removal of enforcement threats. This change reduces the risk of coercion and severe outcomes from minor arrears, improving fairness and wellbeing. While no adverse impacts are anticipated, the government welcomes additional evidence and will monitor implementation to confirm these assumptions.

#### 4.6.11 Risks and assumptions

### Risks and uncertainties

107. This assessment is based on the government’s current understanding of anticipated impacts, drawing on limited available evidence. There are significant gaps in data on the prevalence of different types of rentcharges, enforcement practices, and the scale of potential business costs. As a result, the estimates provided should be treated as indicative rather than definitive. To strengthen our assessment ahead of Bill introduction, we will draw on relevant evidence on costs, benefits, and distributional impacts presented to the Committee during PLS, as well as in their final reports, and any wider evidence we receive through consultation and stakeholder engagement. This input will help refine the analysis and strengthen the next version of the Impact Assessment.

Table 4.2: Risks and assumptions that would impact the appraisal

Risk / uncertainty	Description	Likelihood	Impact	Mitigation
Unintended consequences for other rentcharge owners	Limited evidence on prevalence and enforcement of non-estate rentcharges. Impacts uncertain.	Medium	Medium	<ul style="list-style-type: none"> <li>• Monitor implementation;</li> <li>• Invite stakeholder evidence via consultation<sup>16</sup></li> <li>• Consider guidance.</li> </ul>
Longer recovery times for rentcharge owners	Loss of rapid enforcement tools may delay arrears recovery due to the actions and timeframes associated with court action, but extent unclear.	High	Low	<ul style="list-style-type: none"> <li>• Alternative remedies remain available (small claims, statutory demands).</li> </ul>
Administrative burden for notice requirement	Estate rentcharge owners must serve notice before enforcement action; cost implications uncertain.	Medium	Low	<ul style="list-style-type: none"> <li>• Requirement is proportionate and reflects good practice</li> <li>• Templates could help.</li> </ul>
Consumer awareness of new protections	Homeowners may not understand revised enforcement rules without clear communication.	Medium	Low	<ul style="list-style-type: none"> <li>• Government led communication through conveyancing process, industry guidance, and outreach.</li> </ul>

<sup>16</sup> [Enhanced protections for homeowners on freehold estates - GOV.UK](https://www.gov.uk/government/consultations/enhanced-protections-for-homeowners-on-freehold-estates)

Risk / uncertainty	Description	Likelihood	Impact	Mitigation
Mortgage lender confidence during transition	Lenders may require assurance that reforms reduce risk effectively; evidence on likely lender response is limited.	Low	Medium	<ul style="list-style-type: none"> <li>CMA recommendations provide confidence</li> <li>Ongoing engagement with lenders and.</li> </ul>
Evidence gaps on business impacts	Current analysis based on limited data; actual costs may differ from anticipated estimates.	High	Medium	<ul style="list-style-type: none"> <li>Invite evidence from stakeholders to refine IA, including through consultation and PLS.</li> <li>Update analysis in next version.</li> </ul>

### Sensitivity analysis

108. The expected benefits of the reform depend partly on improved lender confidence. If this improvement is smaller than anticipated, the anticipated positive impact on transaction speed and conveyancing costs may be reduced. Similarly, if the administrative burden of serving notices proves higher than expected, estate rentcharge owners could face slightly increased compliance costs. However, any delays in arrears recovery are unlikely to materially affect market dynamics, as alternative enforcement remedies remain available and are already widely used.

#### *4.6.12 Monitoring and evaluation plan*

109. Monitoring and evaluation for the estate rentcharge enforcement reforms forms part of the whole-programme evaluation for leasehold, commonhold, and freehold-estate reform. Unlike the tenure-focused reforms set out in other annexes (such as commonhold viability, conversion provisions, or the ban on new leasehold flats), the rentcharge measure interacts primarily with the LFRA 2024 rentcharge provisions, the emerging freehold-estates strategy that was the subject of the “Reducing the prevalence of private estate management arrangements” consultation which closed on 12 March, and the draft Bill’s wider modernisation of enforcement frameworks. These linkages, including the disapplication of section 121/122 remedies for income-supporting rentcharges under LFRA 2024, the introduction of new consumer-information and redress tools for freehold estates, and the draft Bill’s proposed notice-based enforcement requirement, shape both the behavioural response of rentcharge owners and the experience of homeowners, lenders, and conveyancers.

110. Given these overlaps between multiple pieces of legislation and emerging further reform, evaluation will be undertaken within the unified programme level framework rather than as a standalone annex. This enables us to capture:

- cumulative impacts across rentcharge and freehold-estate measures;
- evidence emerging from consultations and pre-legislative scrutiny, particularly on enforcement practices and market behaviour; and
- alignment with programme-wide objectives to modernise disproportionate remedies and strengthen homeowner security.

111. This annex should therefore be read alongside the overarching Monitoring and Evaluation Plan in the main **Impact Assessment (section 2.6.4)**, which covers greater detail including design and questions, data strategy and governance and reporting arrangements. This approach ensures that interactions between freehold-estate reforms, rentcharge measures, and the broader enforcement-modernisation agenda are assessed coherently as part of the whole programme.

*Proposed Key Performance Indicators (KPIs) for assessing reform outcomes*

1. The indicators set out below are illustrative only and are intended to give an early sense of the metrics that we expect could support future programme-wide monitoring and evaluation of the reforms.
2. The draft indicators outlined in **Table 4.3** may change as the overarching policy, implementation planning, and evaluation design mature, and will be confirmed at the relevant phase of the evaluation. They are not designed to serve as a standalone evaluation framework for this annex, as monitoring and evaluation will take place at the level of the entire leasehold and commonhold reform programme. The proposed indicators should also not be read as placing new expectations on delivery partners at this stage. Government will work collaboratively with stakeholders and delivery partners to shape a future monitoring arrangements in line with their responsibilities and operational capacity.
3. It will be essential to establish clear baselines for each indicator before implementation. Robust baselining, by drawing on conveyancing feedback, lender policy information, tribunal and redress data, and targeted stakeholder engagement, will be critical to ensure that changes observed after commencement can be reliably tracked. Establishing these baselines early will also help identify data gaps, refine indicators, and support proportionate, evidence-based monitoring over time.

Table 4.3 – Draft indicators for assessing the reforms to estate rentcharges enforcement

Draft indicator	Description & purpose	Data Source(s)
Use of disproportionate remedies under S121 and 122 of the LPA 1925.	Tracks whether remedies under sections 121 and 122 (possession, long lease, receiver appointments) are used following commencement. Intended to verify the central measurable outcome: use falls to zero.	<ul style="list-style-type: none"> <li>• Case law monitoring</li> <li>• Stakeholder groups (e.g., HorNets)</li> </ul>
Lender-driven requirements for deeds of variation	Measures whether lenders continue to require deeds of variation to remove section 121/122 risks. This can be used to assess whether reforms are eliminating barriers to mortgage lending and reducing transaction friction.	<ul style="list-style-type: none"> <li>• UK Finance policy updates</li> <li>• Lender underwriting manuals</li> <li>• Conveyancing sector feedback</li> </ul>
Conveyancing delays linked to rentcharge enforcement concerns	Captures market impacts by observing changes in transaction timelines where rentcharges are involved. Used to monitor improvements in market efficiency and consumer experience.	<ul style="list-style-type: none"> <li>• Conveyancing sector feedback</li> </ul>
Adoption and use of proportionate enforcement routes (small claims, statutory demands, contractual recovery)	Provides assurance that enforcement continues effectively after repeal, and that business practices have shifted towards proportionate, transparent routes.	<ul style="list-style-type: none"> <li>• Ministry of Justice small claims data</li> <li>• Estate management company and consumer feedback</li> </ul>