



A leaseholder's guide to

Informal Lease Extensions

Voluntary extensions, and when to take
the statutory route instead

01 • AT A GLANCE

Extending by agreement

Your landlord has offered to extend the lease without the statutory process. Perhaps a premium and terms have been provisionally agreed; perhaps the landlord operates its own informal procedure and has sent you a form.

An informal — or voluntary — extension can be quicker, cheaper and more flexible than a statutory claim. It can deliver more than ninety years. It can be combined with fixing other defects in the lease. Where the leaseholders own the freehold themselves it is the only sensible route.

It also has no timetable, no price control and no tribunal. A good proportion of the informal extensions we are instructed on end up as statutory claims — not because the leaseholder changed their mind, but because the landlord went quiet, or the terms turned out to be unacceptable, or new ones appeared at the last minute. This guide explains how to take the opportunity without taking the risk.

THE COMPARISON IN SHORT

90 years	what the statutory route adds as of right; informally you get whatever is agreed
Whole term	a statutory extension extinguishes ground rent across the whole term; informally it is usually only the extended part
None	the mechanism to compel a landlord to respond, or to refer unreasonable terms to a tribunal
s.58(4)	why a statutory extension needs no deed of substituted security, and an informal one does
2–4 weeks	what lender consent and a substituted security deed typically add to an informal extension
999 years	the term to grant yourselves, promptly, if you have just bought your freehold

Nothing in this guide is tax advice. Where a freehold company is granting leases, its own accountant should be asked about the tax consequences before anything is completed.

A new lease, not an amended one

The mechanics matter here, because they drive most of the cost and most of the delay — and because they are almost always misunderstood at the outset.

It is a surrender and regrant

Extending the term of a lease cannot be done by amending it. As a matter of law, any agreement that lengthens the term operates as a surrender of the existing lease and the grant of a new one, whatever the document is called. Even a deed of variation extending the term has that effect.

So what actually happens is that your existing lease comes to an end and a new, longer lease is granted in its place. The old leasehold title is closed at HM Land Registry and a new one opens. That single fact explains the lender's involvement, the tax questions and much of the timetable.

Be clear about what you are signing. A document headed “deed of variation” that adds years to the term is a new lease in law. It is better to draft it as one, so that everybody — including your lender and the Land Registry — is dealing with what is actually happening.

The alternative: a reversionary lease

Occasionally a landlord will instead grant a reversionary lease — a separate lease of the same flat taking effect when the current lease expires. Because the existing lease is untouched, there is no surrender, no new title and no need to move the mortgage.

It can be a neat solution where a lender is slow or the existing lease is otherwise satisfactory. The drawback is that the flat is then held under two documents, which some lenders dislike and every future buyer's solicitor will query.

What the new lease should say

The new lease should reproduce the existing terms save for the term and the rent, and should be drafted in full rather than incorporating the old lease by reference. Incorporation by reference is quicker to draft and means that for the next several hundred years anybody wanting to know what the lease says has to read two documents instead of one.

Informal against statutory

The two routes are not simply fast and slow versions of the same thing. They produce different leases, on different terms, with different protections.

	Statutory (1993 Act)	Informal
Additional term	90 years, as of right	Whatever the landlord agrees — sometimes 999, sometimes far less
Ground rent	A peppercorn for the whole of the new term, as of right	Usually a peppercorn only from the original expiry date — though the whole term can be agreed
The price	A statutory formula, determined by the Tribunal if not agreed	Whatever the landlord asks, with no independent check
Other terms	Substantially the existing lease	Open to negotiation, and to the landlord's proposals
Timetable	Statutory deadlines throughout	No formal timetable available
If it stalls	Apply to the Tribunal or the court	Nothing. There is no forum
Your mortgage	Moves to the new lease by statute	Needs consent and a deed of substituted security

THE GROUND RENT DIFFERENCE IS WORTH NEGOTIATING

A statutory extension extinguishes the ground rent across the entire new term as of right, including the balance of your current lease. An informal extension will often deal only with the extended part, leaving the existing rent payable until the date your original lease would have ended — which on a lease with seventy years left is seventy more years of paying it.

But that is a starting position rather than a rule. Nothing prevents a landlord agreeing a peppercorn for the whole term, and many will if it is asked for as part of the deal. It is one of the most valuable things to put on the table early, and one of the most commonly left off it.

Reading the offer properly

Informal offers vary from the genuinely generous to the frankly opportunistic. The terms to examine are always the same, and the ground rent rules changed in 2022 in a way that helps you.

What the 2022 Act now prevents

Since 30 June 2022 new long residential leases must be at a peppercorn rent, and a voluntary extension creates a new lease — the restriction applies to a surrender and regrant whether or not a premium is charged. The consequence is that a landlord can no longer attach a rising ground rent to the extended term, and cannot increase the existing rent. The historic practice of trading a longer term for a doubling rent is no longer available.

That is a real improvement. It does not, however, touch the rent payable for the remainder of your original term, and it does not control the premium or any of the other terms.

What to examine in any offer

- **The term.** Ninety years on top is the statutory benchmark. An offer of a round ninety-nine or one hundred and twenty-five years in total may be considerably less.
- **The rent for the balance of the original term.** What is payable, whether it escalates under the existing lease, and — importantly — whether the landlord will agree to extinguish it for the whole term rather than only the extended part. Ask; it is frequently agreed.
- **The premium, against the statutory figure.** Which means obtaining a valuation before negotiating, not afterwards.
- **New or altered covenants.** Restrictions on subletting, pets, alterations or short-term letting; changes to the service charge; new obligations that were not there before.
- **Who pays what.** The landlord's costs, and whether an undertaking is being asked for before anything is agreed.

LANDLORDS WHO RUN A STANDARD PROCEDURE

Some larger freeholders, housing associations and managing agents operate their own informal scheme, with a published tariff, a standard lease and a form to complete. These are frequently quick, competently run and perfectly reasonable.

They are also usually non-negotiable, and the tariff is not a statutory figure. So the same exercise applies: obtain a valuation, compare the offer with what the statute would give you, and take the scheme if it is better. Several are; several are not.

Why so many become statutory claims

This is the part of the picture that clients most often have not been told, and it is the reason we take a cautious approach to informal negotiations even when they begin well.

There is no mechanism to make anything happen

A statutory claim runs to deadlines. A counter-notice is due by a date; an application to the Tribunal must be made within a window; failures have consequences. An informal negotiation has none of that. If the landlord takes four months to reply, there is nothing to be done about it. If the terms proposed are unreasonable, there is no forum to refer them to. The First-tier Tribunal has no jurisdiction over a voluntary negotiation at all.

The three ways it usually goes wrong

- **Silence.** The landlord or its solicitor simply stops responding, often after the leaseholder has paid for a valuation and given an undertaking for costs.
- **Terms that will not do.** A short additional term, an unrealistic premium, or covenants a lender will not accept — discovered only when the draft lease arrives.
- **New terms, late.** Agreement is reached in principle, and then something new appears: a higher premium, an added restriction, a costs figure nobody mentioned. By then the leaseholder has spent money and is under pressure to accept.

Meanwhile the lease is getting shorter. A lease at eighty-two years when negotiations begin may be below eighty by the time they collapse, at which point the statutory premium includes marriage value. Months spent in a friendly negotiation that fails can cost considerably more than the negotiation would have saved.

It is not always bad faith

Landlords who go quiet are often not being tactical. Freeholds are held by individuals, by estates in the middle of administration, by absentee investors and by small companies whose directors are volunteers with other jobs. Correspondence sits unanswered because nobody has been made responsible for it.

That is worth understanding, because it changes the tone of the negotiation but not the arithmetic. A deal that fails through disorganisation costs a leaseholder exactly as much as one that fails through opportunism, and the lease shortens at the same rate either way.

Undertakings, and paying twice

Informal extensions are presented as the cheaper option. They frequently are. They are also the only route on which you can spend a good deal of money and end up with nothing at all.

01

The undertaking

A landlord's solicitor will usually require an undertaking for their costs before they will begin. That undertaking is generally not conditional on the deal completing — so if the landlord withdraws, changes the terms or simply stops replying, those costs remain payable.

02

Your own costs, spent twice

A valuation, your solicitor's work on the draft lease, and the lender's fees. If the negotiation collapses and a statutory claim follows, much of that is incurred again — a fresh notice, a valuation to the new valuation date, and the landlord's statutory recoverable costs.

03

What the statutory route costs by comparison

More at the outset, because a notice and a valuation are required before anything happens. But the timetable is enforceable, the price is capable of determination, and the process cannot simply evaporate.

04

The false economy

Where a landlord is slow or opportunistic, an informal route pursued to failure and then abandoned for a statutory claim is the most expensive way of extending a lease. It is also, in our experience, one of the most common.

HOW TO GIVE AN UNDERTAKING SAFELY

Cap it at a figure agreed in advance. Make it conditional on the landlord confirming the heads of terms in writing first. And agree a date by which the draft lease will be produced, with a stated intention to serve a statutory notice if it is not.

A landlord genuinely intending to complete will accept all three. A landlord who will not is telling you something useful at the only stage where it is cheap to learn it.

The deed of substituted security

This is the cost and delay nobody mentions at the outset, and it is a genuine point of difference between the two routes.

Why it is needed

Because an informal extension surrenders your existing lease, your lender's charge is registered against a title that is about to be closed. The charge does not move to the new lease by itself. The lender must consent, and a deed of substituted security is entered into so that the charge attaches to the new lease with its priority preserved.

HM Land Registry will not register the new lease without either that deed or a discharge of the existing charge, because the registered charge otherwise prevents the surrender taking effect.

On a statutory extension none of this is necessary. Section 58(4) of the 1993 Act transfers the charge to the new lease automatically, provided the lease is granted under section 56 and says so. No lender consent is needed to bring the claim and no substituted security deed is required — which is a practical advantage of the statutory route that very few leaseholders are told about.

What it adds in practice

- Lender consent, which commonly takes two to four weeks and sometimes considerably longer.
- The lender's own fees, and in some cases a requirement that a solicitor on its panel acts.
- Where the leaseholder is a company, registration of the deed at Companies House as well.
- A further point of failure: a lender that will not accept the new lease terms can stop an otherwise agreed deal.

Two situations where this falls away

- **An unmortgaged flat.** If there is no charge there is nothing to substitute, no lender to consult and no panel requirement. Informal extensions are markedly simpler for leaseholders who own outright.
- **A charge over the landlord's title.** Where the freehold itself is mortgaged, the landlord's lender may also need to consent, and a substituted security deed may be required on their side too. It is worth asking about early, because it is a delay the landlord may not have anticipated.

999 years, and do it now

Where the leaseholders have bought the freehold, everything above changes. There is no adversary, no premium to negotiate and no reason to accept anything less than the best possible lease.

What to grant

The freehold company should grant each participating leaseholder a new lease of 999 years at a peppercorn ground rent. There is no reason to grant ninety, or a hundred and twenty-five, or to preserve a rent the company would only be paying to itself. The lease should also be the occasion to correct any defects the old one contained.

And why promptly

Granting the new leases immediately after the freehold is acquired is usually much the better course, and one reason is a tax one. When the company grants long leases at a peppercorn it is disposing of value out of the freehold. Done straight away, the value leaving the company is close to what the company has just paid, so there is little or no gain. Left for years, while values rise and the leases shorten, a gain can accrue in the company which may be chargeable when the leases are eventually granted.

This is a matter for the company's accountant, not for us. We can identify that the question arises and when it is best addressed; the company and its members should take their own tax advice before anything is completed. Nothing in this guide is tax advice.

TWO PRACTICAL POINTS EVEN AMONG FRIENDS

Where a flat is mortgaged, the lender still has to consent and a deed of substituted security is still required. Owning the freehold removes the negotiation, not the conveyancing.

The directors owe their duties to the company, so the grant should be minuted, consistent between members, and on terms that do not favour one flat over another. Co-owners commonly grant to each other without a premium, which is fine — provided it is even-handed and recorded.

When informal is the better route

None of this is an argument against informal extensions. It is an argument for knowing which situation you are in before you commit to one.

Informal is often the right answer where

- The leaseholders own the freehold, so there is no negotiation and no premium.
- The landlord is offering 999 years at a peppercorn for a sensible price, which is a better outcome than the statute provides.
- You do not qualify for a statutory claim, because the lease or the building falls outside the 1993 Act.
- The lease is long, the ground rent nominal, and only a modest top-up is wanted.
- Other defects need correcting at the same time, and one document can do both.
- The landlord is a resident management company or a neighbour with whom a working relationship matters more than a few thousand pounds.

Take the statutory route where

- The premium asked exceeds the statutory range, or no valuation has been done to know.
- The additional term offered is less than ninety years without a corresponding benefit elsewhere.
- The existing ground rent is significant, has years to run, and the landlord will not agree to extinguish it for the whole term.
- New restrictions are being introduced, or the terms have moved once already.
- The lease is near eighty years and the negotiation is not moving quickly.

ONE QUESTION TO ASK AT THE VERY START

“Will you grant 999 years at a peppercorn, and will you confirm the terms in writing before we incur costs?”

A landlord intending a straightforward deal says yes to both. A landlord who declines the second has told you, before you have spent anything, that an undertaking would be unwise. It is the cheapest piece of diligence available in this area.

How we handle informal negotiations

We are not against them. We simply run them in a way that keeps the statutory route available and limits what can be wasted if the deal does not hold.

01

Value it first

BEFORE ANY NEGOTIATION

A valuation of the statutory premium gives you the benchmark against which any informal offer is judged. Without it you cannot know whether an offer is generous or opportunistic, and you are negotiating blind.

02

Heads of terms in writing

BEFORE ANY UNDERTAKING

Term, premium, ground rent, costs and a date for the draft lease, confirmed in writing by the landlord's solicitor. Only then do we give an undertaking, and we cap it.

03

Diarise a decision date

AT THE OUTSET

A date by which, if the draft lease has not been produced or the terms have shifted, we serve a section 42 notice. We tell the landlord's solicitor what that date is, which is usually enough to concentrate minds.

04

Engage the lender early

IN PARALLEL

Consent and the substituted security deed take weeks, so they run alongside the negotiation rather than after it. A lender objection discovered late is a deal lost.

THE EIGHTY-YEAR LINE IS THE HARD STOP

If the lease will fall below eighty years while a negotiation is running, that changes the arithmetic entirely and we will advise serving a notice rather than continuing to talk. Marriage value is a poor price to pay for politeness.

Why instruct Arcadia Law

Informal extensions look like the simple end of this work and are frequently the part where most goes wrong, because there is no procedure to fall back on when goodwill runs out.

Arcadia Law is a specialist leasehold practice. We act for leaseholders negotiating informal extensions, for landlords and freehold companies granting them, and on the statutory claims that follow when they fail – which means we know at what point a negotiation has stopped being worth pursuing.

How we work

- **We benchmark before we negotiate.** A valuation of the statutory premium first, so that an informal offer can be judged rather than guessed at.
- **We keep the statutory route open.** Capped and conditional undertakings, heads of terms in writing, and a diarised date for serving notice if the deal has not progressed.
- **We deal with the lender in parallel.** Consent and the substituted security deed handled alongside the negotiation, not discovered at the end of it.
- **For freehold companies.** 999-year leases at a peppercorn granted promptly after acquisition, drafted once and used for every flat, with the defects in the old leases corrected at the same time.
- **And when it turns.** If the negotiation fails we serve the notice and run the statutory claim, without starting the file again.

WHAT WE TELL CLIENTS AT THE FIRST MEETING

That an informal extension is worth exploring, that it is not without risk, and that the risk is almost entirely about time and wasted cost rather than about the eventual outcome. Handled with a benchmark, a capped undertaking and a deadline, it is a reasonable thing to attempt. Handled on trust alone, it is how leases end up below eighty years.



Arcadia Law is a member of the Association of Leasehold Enfranchisement Practitioners.

Where to start

If a landlord has made you an offer, send it to us with the lease before you accept anything or sign an undertaking.

01

Send us the offer and the lease

A SHORT CALL, AT NO COST

What has been proposed, what the unexpired term is and what ground rent is payable. If you have already given an undertaking, tell us — it changes the advice.

02

We tell you whether it is a good offer

WITHIN A FEW DAYS

Measured against the statutory alternative, on term, rent, price and terms — and whether the eighty-year threshold makes delay expensive.

03

We run it, either way

FROM THAT POINT ON

The negotiation and the new lease, with the lender and the substituted security in hand — or the statutory notice if that is the better course.

SPEAK TO US

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General information only, reflecting the law of England and Wales as at 26 July 2026, and not legal advice. Nothing in this guide is tax advice: where a company is granting leases, its own accountant should be consulted before completion. Whether an informal offer is worth accepting depends on the lease, the building and the figures, so take advice on your own position before agreeing terms or giving an undertaking. Arcadia Law Ltd is a private limited company registered in England and Wales, company number 10043933, registered office 15 Approach Road, London SW20 8BA. Authorised and regulated by the Solicitors Regulation Authority, SRA number 629605. © Arcadia Law Ltd 2026. The ALEP name and logo are the property of ALEP and are reproduced under licence to member firms.