

Proposed Ground Rent Cap of £250: What It Means for Our Conveyancing Clients

The Government has now formally announced a major reform to the leasehold system—ground rents for existing long residential leases will be capped at £250 per year, with a further reduction to a peppercorn (effectively zero) after 40 years. These changes form part of the Draft Commonhold and Leasehold Reform Bill, published on 27 January 2026, and mark one of the most significant developments in leasehold law in decades.

As residential conveyancers, we want our clients—buyers, sellers, and current leaseholders alike—to understand how these changes may affect them. Below, we break down the key points.

1. What Has Been Announced?

According to the Government’s press release and accompanying policy papers:

- Ground rents will be capped at £250 per year for most existing long residential leases across England and Wales.
- After 40 years, this will reduce to a peppercorn (i.e., £0).
- The cap aims to tackle what ministers describe as “unregulated and unaffordable” ground rents, which have prevented many leaseholders from remortgaging or selling.
- Around 770,000–900,000 leaseholders currently pay more than £250 per year in ground rent and are expected to see immediate financial benefits.
- The reforms are part of a wider plan to end the leasehold system, eventually phasing out ground rents altogether.

2. When Will the Changes Take Effect?

The Bill must still pass through Parliament, but current government guidance suggests the cap could come into force by late 2028.

This means:

- There is no immediate change to the terms of your lease.
- Buyers and sellers currently engaged in transactions should continue under existing ground rent provisions.
- However, the forthcoming changes may influence valuation, lending decisions, and negotiations in the near future.

3. How Will This Affect Our Conveyancing Clients?

A. Buyers of Leasehold Properties

- **Improved Affordability:** For buyers considering properties with historically high or escalating ground rents, the cap may make certain flats more attractive and affordable.
- **Increased Mortgage Availability:** High ground rents have been known to restrict mortgage lending. Lenders generally prefer ground rents below 0.1% of property value; this reform brings many leases back within acceptable thresholds.
- **Long-term Savings:** The future reduction to a peppercorn after 40 years adds longer-term financial certainty.

B. Sellers of Leasehold Properties

- **Easier Sales:** Homes previously considered “unsellable” due to doubling ground rent clauses may become more marketable. The Government has emphasised that one major aim is unlocking transactions stalled by ground rent issues.
- **Potential Value Stabilisation:** While it remains to be seen how the market responds, reducing onerous terms typically helps maintain or improve saleability.

C. Existing Leaseholders

- **Immediate Financial Relief (when implemented):** Leaseholders paying £300–£1,000+ per year may see substantial annual savings. With the average ground rent reported at £304 per year, many will benefit.
- **Reduced Difficulty in Remortgaging:** Leases with escalating ground rents have caused lending refusals. A statutory cap will remove much of that lender hesitation.
- **Stronger Protections:** The wider reforms include scrapping forfeiture and enabling easier conversion to commonhold, limiting the risk of losing a home over minor breaches.

4. Potential Concerns and Areas of Uncertainty

While largely positive for leaseholders, some considerations remain:

- **Impact on Freeholders and Pension Funds:** Some pension funds rely on ground rent portfolios, and the financial implications for them could influence debates as the Bill progresses.
- **Implementation Timeline:** The cap will not take effect immediately; clients will need to plan based on current lease terms for at least the next few years.

- **Legal Interpretation:** Until legislation is finalised, there may be grey areas regarding leases with informal variations, RPI-linked rent reviews, or unusual ground rent structures.

5. Our Advice to Clients Moving Forward

If You Are Buying

We will continue to review ground rent terms as part of your report on title. Where rents exceed £250 or include doubling clauses, we will highlight how the proposed reforms may affect you.

If You Are Selling

If high ground rent has made your property harder to sell, we may be able to reassure buyers by explaining upcoming legislative protections.

If You Already Own a Leasehold Property

If you are paying high or escalating ground rent, the reforms may considerably reduce your long-term costs. Until the legislation is enacted, however, your existing obligations remain unchanged.

Brad Whiteley, Head of Conveyancing comments *“The proposed ground rent cap represents a major step toward modernising leasehold property ownership in England and Wales. For many of our clients—whether buying, selling, or simply planning ahead—this change should bring greater fairness, transparency, and financial security.*

We will continue to monitor the Bill closely and provide updates as further details emerge.”

If you have questions about how these reforms impact your lease or a current transaction, please feel free to contact our conveyancing team.