



The Society of Licensed Conveyancers

EMERGENCY: ACTION IS NEEDED

- THOUSANDS FACING BANKRUPTCY
- THOUSANDS CONTEMPLATING SUICIDE
- THOUSANDS LIVING IN UNSAFE BUILDINGS
- BANKS AND BUILDING SOCIETIES LOSING MILLIONS
- A CRISIS IN THE HOUSING MARKET

Following the Grenfell tragedy, fire risk assessments have resulted in major costs* being incurred by leaseholders in high rise buildings. It is estimated that at least 500,000 people live in high rise buildings where major work is necessary to make the properties safe.

The Government of the day failed to introduce the necessary regulations when warned of the danger and the current Government must now take responsibility and pay for all the remediation.

If insufficient help is given, thousands (probably hundreds of thousands) of leaseholders will have to forfeit their flats to their freeholder or their lender. The majority of these leaseholders are not people with huge savings and in their current situation borrowing money is impossible. Most have invested everything to get on the property ladder. **A recent survey showed many leaseholders are suffering from severe depression and 23% are seriously contemplating suicide.**

When so much of the current conversation is about levelling up, this cannot be right

If mortgage payments are not maintained lenders will have to repossess properties and they in turn may suffer substantial losses as these flats are unsaleable. The lenders will be unable to recover their loans (and are likely to be unable to do so for many years) and ultimately the cost will be passed on to all mortgage borrowers. If the Government does not step in the value of all flats in high rise blocks could be blighted for years to come.

This situation is already creating a problem in the housing market. Most of the properties involved are first time buyer occupied. As these are currently unsaleable there will be a shortfall of entry properties for first time buyers, which will cause prices of other flats in low rise properties to increase making it even harder to get onto the property ladder. Many leaseholders may no longer be able to move up the property ladder. The Government's drive to provide more homes for first time buyers by way of new builds may prove to be ill directed.

Against the backdrop of this catastrophe, politicians have frequently referred to the “building owner” stating “they must take action against anyone responsible for dangerous cladding”. However, the concept of ownership is deeply flawed**. Once all the flats have been sold, ownership is virtual. A building has little or no value and funds are not available to the occupiers to pay for action in the courts against developers or builders.

Prosecution by leaseholders against developers is unrealistic. Any such cases would be complex, involving huge legal costs. Action against the developer would involve many parties: the main contractor, the architect, suppliers, subcontractors, advisors, and in the case of Grenfell, the TMO and the Council.

* Figures of £50,000 are frequently quoted for individual flats (£85,000 recently for Oyster Court in South London).

** The freeholder owns the land that the building is on. They will not “own” the building until all the leases run out.

To reiterate: ACTION IS NEEDED NOW! Up to a million leaseholders could be affected.