

MAYOR OF LONDON

Zoë Garbett AM

Chair of the London Assembly Housing Committee
C/o Matty.Hadfield@london.gov.uk

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Dear Zoë,

Thank you for the London Assembly Housing Committee's report following its investigation on "Worry and stress": life as a leaseholder in London – June 2025.

A significant number of homes in the capital are owned on a leasehold basis: 36 per cent of all of our housing stock, compared to 19 per cent across the whole of England. Some of London's leaseholders are shared owners, for whom home ownership can be a financial challenge. This has made them especially vulnerable in the face of the significant increases in service charges we have seen in recent years.

The issues covered in the Committee's report are extremely important to Londoners, and, like the Committee, I am concerned about the lack of transparency that leaseholders report in their encounters with freeholders, or the managing agents they appoint, as well as the financial precarity that increasing service charges and other costs have placed on Londoners in recent years.

While service charges are influenced by many complex factors, action is needed to ensure that leaseholders and shared owners have adequate transparency, the ability to raise legitimate concerns and access to redress where necessary. My [Service Charges Charter](#), as detailed in my response to your recommendations in the Annex below, is a valuable tool that responds directly to these issues facing leaseholders.

The Government is also taking concrete steps to implement the Leasehold and Freehold Reform Act 2024, and to further strengthen the rights and protections of leaseholders on services and charges in its [recent consultation](#). This will deliver significant improvements and ease the transition from the feudal leasehold tenure to an equitable commonhold system, which I have long supported.

Yours sincerely,



Sir Sadiq Khan
Mayor of London

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Annex

Mayor of London's response to the recommendations of the London Assembly Housing Committee's investigation on "Worry and stress": life as a leaseholder in London – June 2025

Recommendation 1

The Mayor should work to improve transparency in service charges in London. This should include updating the Leasehold Guide for Londoners. This should include the following:

- Updating the guide to reflect the Leasehold and Freehold Reform Act 2024, and the Building Safety Act 2022.
- Explaining the instances where leaseholders are likely to pay higher service charges, such as in taller buildings or where the freeholder is a private individual or company.
- Outlining what is and is not service-chargeable for leaseholders and social tenants, broken down by internal unit component; and external and estate management/maintenance charges. Separate to the guide, the Mayor should explore instances in London where external amenity spaces are service-chargeable and open to the wider public, with local authorities being encouraged to make a contribution to that maintenance.

The Mayor firmly believes that improving transparency in service charges is vitally important, particularly as costs have risen sharply in recent years and are likely to continue to rise. Too many leaseholders and shared owners are deeply frustrated by their experiences but often feel powerless in the face of the current legal framework, where they do not have sufficient rights or access to redress to change this.

The [Mayor of London's leasehold guide for Londoners](#) provides an overview of leasehold property, but is not intended to replace or replicate specialist advice hubs that exist elsewhere. We signpost to expert organisations such as Shelter, and LEASE – the Government funded independent service that provides advice to leaseholders on a wide range of issues, including service charges.

The Mayor accepts your recommendation to review the content of the guide with a view to updating it in broad terms with a summary of rights introduced by recent relevant legislation and will consider if setting out in general terms instances where leaseholders might expect to pay higher service charges is appropriate. Care must be taken, however, as service charges are impacted by a range of complex factors, including building size and height, and it is not automatic that costs will be higher if the freeholder is a private individual or company.

The Mayor's [Service Charges Charter](#), which commits providers to high standards on transparency, affordability, design and redress regarding service charges on leasehold homes, responds directly to the issue of transparency. The Mayor expects all Affordable Housing Investment Partners to sign up to the Charter. It commits them to providing leaseholders with the information they need to understand and, where appropriate, challenge their service charges. This includes the provision of Key Information Documents summarising the key legal and financial considerations for prospective buyers and shared ownership applicants.

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Although the Charter is a valuable tool, further strengthening of rights and transparency requirements must come forward via regulation from the Government. The Mayor supports measures in the Leasehold and Freehold Reform Act 2024, giving leaseholders a new right to request information about service charges and the management of their building. He is also pleased to see further proposals in the Government's [recent consultation](#) on improving protections for leaseholders related to services and charges. The Mayor shares the Government's assessment that these are important steps to strengthen the position of leaseholders, while longer-term work to replace the feudal leasehold system with commonhold takes place.

On the point of local authority contributions, having good quality amenity space that meets local needs and is open to the wider public is positive for our city and in line with London Plan guidance on design. Local authorities already face severe financial pressures following years of budget cuts. This includes an infrastructure funding gap of billions of pounds driven by rising costs for social care and special educational needs, coupled with pressure on commercial revenue and inflation.

Recommendation 2

The Government should legislate to give social renters the same rights as leaseholders in terms of access to full service-charge statements and invoices. Ahead of this change taking place, the GLA should add equal transparency for social tenants to its Service Charges Charter by the end of 2025.

The Mayor firmly believes that improving transparency in service charges is vitally important, irrespective of tenure. All residents must feel confident about the charges they are paying and be able to scrutinise and challenge charges where relevant.

The Service Charges Charter has been developed through close collaboration between City Hall, leaseholders and housing providers. While it aims to improve satisfaction among leaseholders, particularly those in Shared Ownership, Investment Partners who sign up to the charter are expected to demonstrate the approach to managing service charges that it mandates across all tenures.

The Mayor's Charter acts as a lever but cannot, alone, deliver the step change required to strengthen protections related to services and charges. This can only be achieved by the Government taking further measures with a firm, statutory footing. The Leasehold and Freehold Reform Act 2024 does just that, providing social housing tenants of Private Registered Providers in England with new rights and protections, whether they pay fixed or variable service charges.

The Mayor supported the 2024 Act and welcomes the Government's consultation on its implementation. This is in addition to other proposals, such as allowing tenants and leaseholders paying fixed charges to apply to an appropriate tribunal for a determination on the reasonableness of their service charges or whether the work undertaken is of a reasonable standard.

Recommendation 3

The GLA should work with the G15 to understand the impact that mergers and acquisitions are having on service charges. The GLA should set out good practice guidance for their partners with the aim of preventing mergers and acquisitions causing incorrect service charges. This work should be started by the end of 2025.

The issue that the Committee seeks to address here is the occurrence of fraudulent or (more often) incorrect service charge accounting. The Mayor understands this detrimental impact on residents,

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particularly when errors take too long to resolve, or queries about such errors are ignored and unanswered. He agrees that providers must do better, both in ensuring charges are correctly billed in the first place, and quickly dealing with queries about service charges and rectifying mistakes. While there will undoubtedly be instances where mergers and acquisitions and associated data issues have negatively impacted service charges, there is no certainty as to the extent of this issue. As comments from some of the Committee's guests show, Registered Providers are cognisant of the risks to be managed when completing mergers, acquisitions or stock transfers, and many are now investing significant time and resources into improving their data integrity as a key priority.

As such, the Mayor does not believe issuing guidance of this sort to investment partners is necessary or will yield additional value, particularly given his Service Charges Charter already clearly specifies his expectations on service charge transparency and uses the leverage of Affordable Housing Programme funds to do so. However, the Greater London Authority (GLA) collaborates closely with the G15 on many issues, and officers will keep this concern in mind as we continue to work together on important housing issues for London.

Recommendation 4

More Londoners should benefit from the greater transparency outlined by the Service Charges Charter. The Mayor should approach The Property Institute and the Residential Freeholders Association to request that they encourage their members to sign up to the Charter. This should happen by the end of October 2025.

Like the Committee, the Mayor would like more Londoners to benefit from the transparency outlined in his Service Charges Charter. Although he has no statutory powers over service charges, and therefore little leverage to compel providers who are not investment partners to sign up. The main tool the Mayor has at his disposal to leverage compliance with the Charter is through funding allocations via the Affordable Homes Programme (AHP).

The Mayor has encouraged non-investment partners to sign up, and we will continue to promote the Charter at all levels, since there is nothing that precludes other providers from adopting this best practice. He strongly believes, however, that government action on regulation is the best way to deliver service charge transparency to all residents across all provider types.

The Leasehold and Freehold Reform Act 2024 makes significant steps towards this goal, giving leaseholders a new right to request information about service charges and the management of their building, and the Government has [consulted on](#) its implementation, in addition to other proposals for tenants and leaseholders paying fixed charges. The Mayor has welcomed and supported these measures and will work with the Government on their implementation.

Recommendation 5

The GLA should amend the Service Charges Charter to state that potential buyers should be provided with estimated service charge and rental increases, by raw numbers and by percentage increase, for each of the first 10 years of ownership. The example Key Information Document for shared owners at point of purchase should be updated to reflect this. This should be done by the end of 2025.

As the Committee's report has highlighted, increasing service charges remains a challenging and contentious issue across London. The Mayor is concerned about the impacts on affordability this is having for leaseholders and shared owners and their ability for financial forward planning. Service charges are impacted by a range of complex factors, including steep rises in utility costs and the complex challenges of building safety. Inflationary pressures have been particularly

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significant in recent years, and most experts expect service charges to continue rising. London also has a higher proportion of complex developments and ‘high risk’ buildings, and this is an important factor contributing both to increasing costs and leaseholder and shared owner dissatisfaction with their service charges.

The Key Information Documents supplied by GLA providers to leaseholders and shared owners align with those Homes England expects providers of shared ownership homes elsewhere in the country to provide. As specified in the Service Charges Charter, providers should be communicating clearly and transparently the various factors that impact service charges and particular reasons for large yearly rises.

The Mayor is concerned that mandating the provision of service charge forecasts far into the future could inadvertently end up misleading prospective buyers. All sorts of factors that are hard to predict over a 10-year period can influence the level of service charges, as recent increases in response to rises in fuel prices and labour costs show. Long-term forecasts will inevitably be inaccurate.

Recommendation 6

By the end of 2025, the GLA should amend the Service Charges Charter to state that investment partners should track affordability of shared ownership at specific intervals, such as years one, five, and 10. The GLA should work with housing providers to ensure that they have transparent, accessible policies for supporting shared owners whose housing costs have increased over 40 per cent of net household income. The GLA should collect data on affordability of shared ownership over time and use this to inform the next iteration of the product in the coming Affordable Homes Programme (AHP).

We are sympathetic to concerns about the sustainability of shared ownership for leaseholders, in terms of affordability over time. This issue goes beyond service charges, since rent levels also have a significant impact, and is not only confined to shared ownership homes funded by the Mayor. The Charter may not, therefore, be the right lever for addressing this issue, which speaks to a wider question about the overall funding for shared ownership as a model for intermediate housing.

The London Plan includes service charges when assessing the affordability of intermediate housing costs. The income affordability threshold for shared ownership is £90,000, and homes offered must be affordable to households with a range of incomes below the £90,000 limit. The AHP Capital Funding Guidance stipulates at various points that service charge increases should remain reasonable so that homes remain affordable to residents, and the Affordable Housing and Viability [Supplementary Planning Guidance](#) states that Discounted Market Sale (DMS) homes should remain discounted by the agreed proportion or amount in perpetuity. The Service Charges Charter echoes these policies, emphasising that service charges must remain affordable for leaseholders and shared owners.

In recognition of the challenges of keeping shared ownership affordable in London, the Mayor has moved to fund the development of more intermediate homes for long-term rental – an example being the Key Worker Living Rent homes – where rents are linked to key workers’ incomes and capped and there is no expectation of saving for a deposit or buying a share in the future. Under his London Living Rent product, rents (including service charges) can be increased by up to the rate of CPI each year, and the maximum permissible is £1,563 per month, in line with London Plan affordability requirements.

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While shared owners may struggle with costs where they exceed the 40 per cent threshold that the London Plan sets, this is not always the case. Affordability may still be an issue for some households below this threshold, and conversely, where leaseholders' incomes have increased, costs above the 40 per cent may not be problematic. There are mechanisms in place to address these concerns, including Investment Partners having clear repayment and staircasing-down policies in place. Providers also have the flexibility to use Recycled Capital Grant Funding where there is a risk of repossession, to enable a shared owner to remain in their home.

The Service Charges Charter requires housing providers to have a published policy on repayment options for leaseholders experiencing financial hardship, including where increases in service charges have contributed to their situation. The Capital Funding Guide also provides for Investment Partners to use Recycled Capital Grant Funding to enable shared owners facing hardship to staircase downward.

Recommendation 7

The GLA should conduct research on potential models for capping service charges in its new-build shared ownership. This should be completed by the end of 2025, and therefore be able to feed into shared ownership starts in the next iteration of the Affordable Homes Programme.

The Mayor does not possess the powers to cap service charges in London, and therefore the GLA has not investigated the impact of capping service charges to date. What is clear is that there are very legitimate challenges to identifying an appropriate level for any cap, particularly at a time when macroeconomic and regulatory factors are having a big impact on service charge levels and rents are rising, potentially impacting some of our intermediate housing schemes such as London Living Rent.

A cap on service charges would lead to a shortfall, which would need to be recouped through another route, such as cutting back on services, compromised management standards or increased subsidy levels. The best way to reduce service charges in new development is to design down service charges as far as possible, which is an approach that is strongly encouraged by the Service Charges Charter.

The Mayor launched the Charter in direct response to Londoners' problems with service charge affordability, transparency, ability to challenge and access redress, and to ensure that the powers we have to allocate funding are used to change behaviours and encourage Investment Partners to follow this best practice model.

Recommendation 8

The Mayor should include 'designing down service charges' in his new London Plan. Developers should be required to submit to their local authorities steps they have taken to ensure maximum lifespan of building components and maximise whole-life value for money for leaseholders.

The Service Charges Charter features a dedicated section on design aspects. This sets out that buildings should be designed to minimise service charges by ensuring that building materials are chosen to last, and procurement practices are standardised and maximise long-term value for money for leaseholders. It also specifies that relevant stakeholders are consulted early on, on how a development will be managed once operational so that all potential impacts on service charges are captured.

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There are challenges associated with local authorities acting as a check and balance in the manner set out in Recommendation 8 above, not least existing pressure on resources and backlogs within planning departments. In some cases, there may be a lack of technical expertise in specialised aspects of design infrastructure, and there would be a need to clearly define what ‘whole-life value for money’ should look like, based on robust evidence and key stakeholder input.

However, this is an important issue, with increasing regulatory and economic pressures being placed on building design and management, and the Mayor commits to considering whether there is scope to reflect the expectations set out in the Service Charges Charter in future planning policy.

Recommendation 9

The Mayor should convene key stakeholders to create a commonhold taskforce to work on commonhold challenges in London. This would start work by the end of 2025. This would include looking at issues of shared ownership, mixed use buildings, and retrospective commonhold. This would inform the Mayor’s lobbying on the Leasehold and Commonhold Reform Bill.

The Mayor has called for commonhold to replace leasehold as the default tenure for flat owners since he was first elected in 2016. This is now close to becoming a reality, with the Government now committed to publishing a draft bill later this year and introducing commonhold reform by the end of this parliament. Meanwhile, the Government is already taking action to improve the rights and information available to leaseholders, tenants and shared owners in a range of areas, including service charges, insurance and repairs.

The Mayor does not have the necessary powers to introduce a new commonhold system, so it is questionable how meaningfully all sector stakeholders would engage with such a taskforce. The GLA also collaborates closely with stakeholders that will be impacted by leasehold and commonhold reform – developers, Registered Providers, LEASE (the government advice service), the National Housing Federation, the Shared Ownership Council and more – on a range of topics.

Officers will keep working with the sector to ensure that the Government has sight of significant issues that may impact the reforms. The Housing Mission Board, convened by the Mayor, brings together key players from across the housing sector and central government to investigate issues impacting housing delivery. It would be appropriate to consider these issues at the Board as part of a focus on London-specific issues affecting flatted development.