



Leaseholds – Fallacies and Confusions

THE House* of Commons spent nearly five hours on

December 7 debating the motion to give a second reading to the Leasehold Bill. It was a Private Members measure, introduced by MR. DENIS HOWELL, (Labour, Birmingham, Small Heath). In his speech Mr. Howell said that this was the twenty-ninth attempt to introduce such a measure into Parliament, and he hoped that the House would deal with the matter on an all-party basis and in a spirit of reasonableness. Most of the letters he had received from people supporting his Bill were from Conservatives, and if the Bill were not passed, the Labour Party would include this reform in its next election campaign.

Mr. Howell was mainly concerned with the hardship caused to leaseholders on the expiration of their leases. Many, he said, had bought long leases in the expectation that they would see out their lives, but because people were now living longer, they found themselves turned out just when they were most vulnerable. It was usually old folk who were suffering and it was a moral obligation of the Government to protect old people.

Many people with their leases running out would like to purchase the freehold, but this was often impossible as the ground landlord would not sell. Under the Landlord and Tenant Act of 1954, the lessee, on the expiration of the lease, becomes a tenant of the ground landlord, who now owns the house, but the tenant can be evicted if the landlord wishes to pull down the house and redevelop the site. This often happened because speculative property companies bought up freeholds where the leases had only a few years to run.

Further difficulties are caused by the fact that if a person wished to buy a lease of less than twenty years or so it was impossible to get a loan with which to buy the house except at exceptionally high interest rates. This necessitated packing the house with tenants in order to pay off the debt, and when the lease expired there were several families to be rehoused.

Mr. Howell quoted from the report of the Select Committee on Town Holdings, which in 1889 said: "Evidence before us shows that there is a widely spread sense of injustice among lessees in having, at the end of their lease, to give up the building they or their predecessors have erected, or to pay a rent calculated on the principle that such buildings are the property of the land-

lord. It is natural that such a lessee should feel that he is unjustly treated under such a system."

"And so, of course, he is," added Mr. Howell. He went on to say, "The ground landlord, who provides the land, ought to get a fair return for the land he provides, but he also gets a house, to which he has contributed nothing and the lessee has had to keep it in repair."

Turning to the arguments used against his reform, Mr. Howell said that defending the rights of property was an argument of "sheer materialism." "It puts bricks and mortar above human considerations," and he did not believe it was the job of Parliament to do that. "Parliament is always having to interfere in contracts between one man and another to mitigate hardships," Mr. Howell said, and "it is right that it should do."

Mr. Howell went on to describe the essential features of his Bill. Briefly these were that the leaseholder will have the right to buy the freehold for twenty-five times the ground rent. This figure might be increased by the county court if it was felt that it would be unfair on the ground landlord.

Regard would be had for the value of the buildings. Premiums paid when the lease was taken out, the condition in which the tenant had kept the building, and the falling value of money would all be taken into account. Mr. Howell stressed that these were very equitable terms. He had tried to be fair to the landlord.

Finally, Mr. Howell considered the question of ethics. "I myself believe that there is little, if any, morality at all in the wholesale ownership of land in private hands. The land was here before the people. The land was created for the use of the people; the people were not created in order to exploit the land. Whatever may be the merits of the private enterprise system, no one manufactures land, and no one improves it. People tend it, of course, and care for it, but it is a commodity which was provided for the human race before the human race was started."

MR. HAROLD GURDEN, (Conservative, Birmingham, Selly Oak) commenting on the sanctity of contract said, "I do not believe that people should have the right to tear up contracts into which they have entered freely, knowing all the terms. They know what they have paid for, which is not the bricks and mortar, but the term of tenancy."

"The Bill is based on the false premise that leasing is evil. It is not. After all, it enables the people to be housed at a very much lower price than if they had to buy the land in the first place. If we change over entirely from the leasehold system to a freehold system the price of houses will rocket."

MR. JAMES GRIFFITHS (Labour, Llanelly), also dwelt on the hardship theme and said that leases were running out *en masse* in Wales. The "first-class" men and women of Wales, whose ancestors had built their houses at the time of the great industrial expansion in Wales, were now to be deprived of their property, their "hallowed ground,"

and it was only just that they should have the right to acquire their freehold on fair terms. He was speaking for the whole of Wales, and he challenged the Minister of Housing and Minister for Welsh Affairs to hold a referendum on the subject.

Mr. Griffiths also brought up the question of land values. "Who creates site value? The community. The men who live in the houses and would like to buy them. They, by their work and industry, have created the value, and this increased site value is due to the efforts of the community, and rightfully belongs to the nation, and not the landlords.

"An increase in site value does not belong to the leaseholder; it does not belong to the landlord. I say that increases of site values because of community effort should belong to the community. I believe that as a principle. I will not develop it now, but it is part of my Socialism that wealth created by the community should belong to the community and should not be exploited by an individual."

He was taken up on this point by MR. RAYMOND GOWER (Conservative, Barry), who also attacked Mr. Howell's closing "partisan peroration," which he said, made it doubly difficult for him to support the Bill. Mr. Griffiths reference to the enhancing of the value of sites by the community was "quite irrelevant" in this context.

Mr. Gower went on to say that this problem was particularly acute in South Wales, where more than eighty per cent of the houses were leasehold. He thought that the Bill had many imperfections, but he urged the House to support it.

MR. DONALD BOX (Conservative, Cardiff North), considered the Bill "unreasonable and one-sided," because it gave the leaseholder the right to buy his freehold but denied the ground landlord the right to sell the freehold. He believed that the best solution to the problem was to extend leases at current market values.

"If we must have a leasehold system," said Mr. Box, "why not a compulsory amortisation of leases? There has been a tremendous increase in compulsory saving throughout the country. We save for old age, adversity, sickness and injury. Why not, therefore, have compulsory saving to purchase one's freehold?"

SIR FRANK SOSKICE (Labour, Newport) said that one could not discard sentiment in these cases. He drew a picture of old retired couples being turned out of houses they regarded as their own. All the speakers supported the principle of leasehold reform, he said, it was just the method of putting it into practice that caused the trouble. He felt strongly that compensation to freeholders should not be based on market values.

The debate was answered on behalf of the Government by SIR KEITH JOSEPH, Minister of Housing and Local Government, and Minister for Welsh Affairs. He thought that the leasehold system had been useful and still had its uses. "We are all in favour of planned development and redevelopment, and I cannot accept that

leasehold is properly called the last stage of feudalism."

Many people, he said, if they have a choice, choose a leasehold, but he did not accept that they could be ignorant of the fact that the house was not their own. Had the landlord built the house, argued the supporters of the Bill, there would be no argument about who normally owns it. But *had* the landlord built the house the occupant and his predecessors would certainly have paid a higher ground rent or a higher rent. The house reverts to the landlord on the expiry of the lease, but during the entire lease the tenant's payments have reflected the fact that the tenant or his predecessor built the house.

Commenting on the price which would have to be paid for the freehold, Sir Keith said that arbitrators or the county court would have to be instructed. The idea of market value imports the notion of a willing seller, and in this case there wasn't one. The question of a fair price was a very difficult one because the reversion to a long lease had two different values — a lower one to another landlord buying the lease as an investment, and a higher one to the lessee, who is able to sell the property freehold with vacant possession.

Having discussed the leasehold problem in general Sir Keith turned to the Bill itself. The Government he said, could not accept the Bill because compulsory enfranchisement must be based on market values, and this was the one thing the Bill did not provide for. Nor could they support a Bill in which the landlord was given no right to resist enfranchisement on any ground whatsoever.

MR. ARTHUR SKEFFINGTON (Labour, Hayes & Harlington) mentioned that the minority report on the Leasehold Committee (set up by the Labour Government) had pointed out that great increases in the values of estates had nothing whatever to do with the freeholder, since they were due to services being put in by local authorities, like roads and lamps, by the building of churches, schools and so on. The report quoted a case where ground rents had gone up £1 million per annum, and at the end of the period the company would get at least £5 million to which it had not contributed one penny. "No wonder many of us say, and public opinion outside now believes, that this is legalised robbery," said Mr. Skeffington.

The debate was wound up on behalf of Mr. Howell by MR. NIALL MACDERMOT (Labour, Derby North.) He said the Minister's speech was reactionary.

The whole point at issue was, when these long leases were taken out, when "all that the freeholder provided was the bare land" and the lessee had to build the house and keep it in order, was this a fair contract, which ought to be "supported, enforced and maintained?" The whole basis of the argument for the Bill is that these contracts were "unconscionable and unfair." They were imposed on leaseholders at the outset "only because of the freeholder's monopoly power as owner of the land." These contracts were thus unfair, and something should be done about it.

The Motion was then put to the House, and defeated by 109 votes to 96.