

RISK update

Manchester Law Society

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2018

PI Insurance – Ground Rents: Impact on Conveyancing Firms?

Whilst at the time of going to press we await the outcome of the Government Consultation ('Tackling Unfair Practice In The Leasehold Market') into unfair leasehold practices, ahead of that we consider here what a Conveyancing Practice might do, and the information likely to be required, so as to satisfy their Insurers at their 2018 renewal.

We don't propose to go into the full background here; we appreciate all conveyancing departments will already be fully aware of the criticism seen throughout the media in 2017 relating to huge increases in ground rents and more frequent review periods on new builds in particular. This seems to be a bigger issue still in the affordable homes sector and within certain geographical areas (e.g. south-east, north-west?) where this has apparently been more common practice.

Solicitors will be aware that some large developers are setting aside funds to assist leaseholders in certain scenarios; nonetheless many leaseholders will not benefit from this and are already being encouraged to look towards the solicitor who acted for them, in order to seek redress.

Indeed, some leaseholders are even being discouraged from accepting developer offers, perhaps rightly in some cases, in others, perhaps being led to believe that a claim against their solicitor will prove more fruitful for them? A quick internet search will bear this out.

In view of this, we are advising firms to start preparing for 2018 PI Renewal now insofar as this issue is concerned. This preparation will enable the firm to work with Insurers so as to highlight just what the exposure might be, hopefully showing it not to be as great as Insurers might otherwise fear.

Typically, can the firm identify the numbers involved and the type of transaction handled? The retrospective period likely to be requested by the insurance market may differ, some will look at the 6 year picture though we have heard talk of as long as 15 years. In particular, Insurers may wish to know about multiple plot purchases, they will want comfort that the terms of any ground rent have been brought to the purchaser's attention, has advice been given re the impact on sales potential, property values etc. further down the line?

All firms, with assistance and advice from their PI Insurance Broker, should then be able to present a summary to Insurers who in turn will then be ready and able to consider as appropriate, providing terms without hopefully having to keep asking for more information.

If you wish to discuss any aspect of this article in greater detail or require assistance in sourcing an appropriate level of cover at a competitive price, please do not hesitate to contact ourselves as below.

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