[2025] EWHC 2751 (Admin) 24 October 2025

R on the application of

(1) ARC Funds and others
(2) Cadogan Group Limited, Grosvenor Limited and others
(3) Abacus Land and others
(4) Wallace Partnership Group Limited and others
(5) John Lyon's Charity
(6) Trustees of the Portal Trust

Secretary of State for Housing, Communities and Local Government

Summary

This summary is provided to assist in understanding the Court's decision. It does not form part of the reasons for the decision. The full judgment of the Court is the only authoritative document. Judgments are public documents and are publicly available. A copy of the judgment as handed down can be obtained after 10.30 am on 24 October 2025 from:

https://www.judiciary.uk/judgments/

https://caselaw.nationalarchives.gov.uk/

Lord Justice Holgate and Mr Justice Foxton, sitting in the Divisional Court of the High Court, today handed down judgment dismissing the 6 applications for judicial review brought by the claimants against the Secretary of State.

1. These proceedings were brought by six landlords of large numbers of dwellings challenging the compatibility of parts of the Leasehold Freehold Reform Act 2024 ("LFRA 2024") with the European Convention on Human Rights ("ECHR"). They argued that certain leasehold reforms infringed the Claimants' rights to protection of their property under Article 1 of the First Protocol to the ECHR ("A1P1"). Further information about the Claimants appears in Section 2 of the judgment. A summary of the challenges they brought is in Section 3.

2. The relevant parts of the LFRA 2024 concern the price at which the owners of long leases of dwellings ("tenants") can require their landlords to transfer to them the freehold or an extension to their lease under a process known as enfranchisement.

3. As the judgment explains in Section 4, the LFRA 2024 is the latest in a series of statutes going back to 1967 in which Parliament has sought to address the disadvantages of

leasehold ownership, in particular the fact that the tenant will pay at the outset a substantial sum of money to acquire an asset the value of which will fall to zero over time. In addition, the tenant is usually required to make significant payments to the landlord, notably service charges and ground rent, and to incur the costs of maintaining the property throughout the lease.

4. A challenge to Parliament's first reform, the Leasehold Reform Act 1967 ("LRA 1967"), relying on A1P1 was rejected by the European Court of Human Rights in *James v UK* (1986) 8 EHRR 123, on grounds which remain highly relevant to the current challenge ([11]).

5. Section 4 of the judgment traces the manner in which subsequent legislation increased the categories of tenant given a legal right to enfranchise, and established the basis on which the amount of compensation payable to the landlord would be calculated. The effect of that legislation is that the amount payable has generally been the aggregate of three components ([15]):

    - The reversion value: the market value of the landlord's future right to vacant possession at the end of the term, in net present value terms.

    - The term value: the market value of the landlord's right to receive ground rent under the lease for the unexpired term.

    - A 50% share of "marriage value" for leases with an unexpired term of 80 years or less (excluding certain lower value houses under the LRA 1967). Marriage value is the difference between the value of the property in the tenant's hands after enfranchisement, and the combined value of the tenant's and landlord's interests when they are in separate hands. It reflects the fact that for leases with 80 years or less to run, the combined value of the lease and the landlord's freehold will be less than the value of the property if those interests merge into one ownership, here the tenant.

    In addition, the pre-LFRA 2024 regime required a tenant exercising the right to enfranchise to meet the landlord's non-litigation costs of the transaction.

6. The features of the LFRA which were said to infringe the Claimants' A1P1 rights are:
    - capping the amount of ground rent which is used in the calculation of the term value at 0.1% of the freehold vacation possession value of the property ("the Ground Rent Cap");

    - abolishing any obligation to pay marriage value as part of the price paid to enfranchise ("the Marriage Value Reform");

    - removing the tenant's obligation to pay the landlord's non-litigation costs ("the Costs Recovery Reform"), so that in future each party pays its own valuation and conveyancing fees.

7. In addition there is a challenge to reforms dealing with what are known as "intermediate leases". The Government accepts that the LRFA 2024 needs to be amended and this will require primary legislation. This challenge has been stayed pending Parliament's consideration of this issue.

8. The various issues raised by the challenges are summarised in Section 3. The evidence as to the financial impacts of the impugned measures is set out in Section 8, in the course of which the Court sets out its reasons for rejecting the Claimants' submissions that those impacts were not modelled to a sufficient standard.

9. The applicable legal principles under the ECHR and national law are set out in Section 5.

10. Section 7 of the judgment reviews the extensive pre-legislative material dealing with the issues concerning leasehold ownership and which culminated in the LFRA 2024. This included three extensive reports from the Law Commission.

11. On the basis of that review and the terms of the legislation, in Section 9 the Court rejects the Claimants' contention that the object of the measures challenged was simply to make it cheaper for owner-occupiers (rather than other types of tenant of leasehold property) to acquire the freehold or an extended lease. The Court accepts the Secretary of State's submission that the objects were much wider, namely to "address the unfairness of the leasehold system", which arise from the tenant's wasting asset and lack of security and control, and to enable tenants to deal with those inherently unfair features of leasehold as a form of property interest by making enfranchisement cheaper and easier. The Court finds that these were legitimate objects for the purposes of A1P1 ([332]-[335]) and that the features of the LFRA 2024 being challenged were rationally connected with those objects ([338]-[340]).

12. The Court deals with the challenge to the Ground Rent Cap in Section 10. The Court holds that the Ground Rent Cap pursued the legitimate objects of the LFRA 2024, that those objects could not have been achieved by a less intrusive measure ([352]-[358]), and that the relevance provisions of the LFRA 2024 fairly balanced the interests affected ([359]-[381]). The Court finds that there was sufficient evidence to justify setting the cap at 0.1% of freehold vacant possession value ([379]). It rejects the claimants' case that the Ground Rent Cap would result in landlords not receiving compensation reasonably related to the market value of the interests they are required to transfer to their tenants ([381]).

13. The Court addresses the challenge to the Marriage Value Reform in Section 11. It identifies the direct link between the concept of Marriage Value and the wasting nature of the tenant's leasehold interest. The Court concludes that the Marriage Value Reform was justified by reference to the object of seeking to redress the imbalance between landlords and tenants of residential long leases and addressing the inherent unfairness of leasehold as a model of property ownership ([409], [428]). It also decides that the Marriage Value Reform does not have the effect that the compensation payable to landlords for enfranchisement ceases to be reasonably related to market value ([429]). The Marriage Value Reform pursued the legitimate objects identified and less intrusive

measures would not have realised those objectives ([443]-[452]). The Court concludes that the Marriage Value Reform fairly balanced the competing interests ([453]-[468]).

14. The Court deals with the Costs Recovery Reform in Section 12. The Court concludes that these reforms pursued legitimate objects and fell within Parliament's wide margin of appreciation ([487]) and that there were no less intrusive measures which ought to have been adopted ([501]). The claimants' human rights challenge to the Costs Recovery Reform is rejected ([502]).

15. Having rejected the individual challenges to these three reforms, in Section 13 the Court considers and rejects the Claimants' challenge to the measures looked at cumulatively, also having regard to certain other reforms introduced by the LFRA 2024 which were not themselves challenged.

16. Section 14 considers an A1P1 challenge that the legislation does not exempt the interests of landlord charities from the reforms. The Court rejects that challenge, holding that Parliament was not required to differentiate between freeholds held by charities as part of their investment portfolios and freeholds owned by other types of landlord.

17. Finally, section 15 considers an A1P1 challenge brought by the Portal Trust, on the basis that the LFRA 2024 should have excluded or adopted a differential treatment of leases of residential properties where the tenant was not occupying the properties itself, but leasing and then sub-letting a significant number of residential properties as a business activity. The Court rejects this challenge, holding that the legitimate legislative objects of the LFRA 2024 apply to all residential long leases and would have been undermined by the differential treatment for which the Portal Trust contended.