



Business Property Guide: Leases

FRI, EPCs and other useful phrases

Kent based Cripps Harries Hall LLP is a leading law firm with a nationally acclaimed real estate practice. We are also proud to be a Principal Partner of Locate in Kent.

We have produced this brief guide to help you understand the terms you will come across when you are looking for business premises.

We recommend that you speak to your solicitor or contact Cripps Harries Hall LLP at an early stage of your property search. We can guide your business through the legal process and help you avoid some of the common traps.

Heads of terms

A document that sets out the main terms of a deal agreed between the parties. Heads of terms are not usually legally binding and will often be agreed between surveyors. We recommend that you speak to your solicitor before the heads of terms are agreed.

Leasehold (Lease)

Leasehold means the right for a tenant (occupier) also referred to as 'lessee', to occupy a property for a specified length of time (e.g. ten years). When the lease ends the property reverts to the freeholder (the landlord, also referred to as 'lessor') who owns it forever.

1954 Act

If a tenant occupies premises for business purposes, the Landlord and Tenant 1954 Act gives the right to a new lease starting when the old lease ends. The tenant can remain in his property but must continue to pay rent and comply with the lease. This right to a new lease can be excluded if the landlord and the tenant agree: then the tenant will not have a legal right to a new lease.

EPC

An EPC is an energy performance certificate. EPCs are required for old and new properties. The aim of EPCs is to differentiate good from poor energy performance. Fines of between £500 and £5000 will be imposed on a property owner if he does not supply an EPC free of charge when he sells, leases or constructs a building.

FRI lease

FRI lease means a full repairing and insuring lease. The cost of repairs and insurance are paid by the tenant. If the lease is for part of a building, the landlord will usually insure and carry out repairs to the structure. However, the costs of the landlord's works are then paid for by the tenant.

Service charge

A service charge deals with the cost of repairs, maintenance and other services, such as heating. Service charges are very often found in leases, where tenants share the cost of services provided by the landlord. It is important that a tenant understands how the service charge is calculated and how much of it he has to pay. We can help you with this.

Stamp Duty Land Tax (SDLT)

Stamp Duty Land Tax (SDLT) is a tax on transactions involving the acquisition of UK property. SDLT is payable by the person acquiring the property, whether or not they live in the UK. It is payable on purchases of freehold properties. SDLT is also payable by a tenant taking a lease and this involves a complicated calculation based on rent and length of lease. We can calculate the SDLT for you.

Alienation

Alienation refers to transferring a lease or subletting or sharing occupation. Most leases contain complicated restrictions on the tenant's rights to transfer, sublet or share.

Break option

A break option in a lease gives one or both parties the right to end the lease in certain circumstances (eg at the end of the third year).

If you have any questions or would like more information please contact:
Alisa Sweeney t: +44 (0)1892 506151
e: alisa.sweeney@crippslaw.com
Oliver Morris t: +44 (0)1892 506262
e: oliver.morris@crippslaw.com