

# Government sets out new plan to protect leaseholders and make industry pay for the cladding crisis

- Levelling Up Secretary resets government action on building safety in England
- Leaseholders living in their own flats will not face any costs to fix dangerous cladding, with developers and cladding companies paying instead
- Industry given two months to agree to a plan of action to fund remediation costs, currently estimated at £4 billion
- New measures to hold firms to account and restore common sense to the market

The government has today (10 January 2022) reset its approach to building safety with a bold new plan to protect leaseholders and make wealthy developers and companies pay to fix the cladding crisis.

Secretary of State for Levelling Up Michael Gove today guaranteed that no leaseholder living in their own flat will have to pay a penny to fix unsafe cladding.

Following Mr Gove's [letter to industry](#), the old proposed loan scheme for leaseholders in medium-rise flats will be scrapped, with industry given two months to agree to a financial contributions scheme to fund the new plan, otherwise, if necessary, the government will impose a solution in law.

In addition, a new dedicated team is being established to pursue and expose companies at fault and to force them to shoulder the burden of making buildings safe.

Mr Gove revealed a 4-point plan to reset the government's approach:

- Opening up the next phase of the Building Safety Fund to drive forward taking dangerous cladding off high-rise buildings, prioritising the government's £5.1 billion funding on the highest risk
- Those at fault will be held properly to account: a new team is being established to pursue and expose companies at fault, making them fix the buildings they built and face commercial consequences if they refuse
- Restoring common sense to building assessments: indemnifying building assessors from being sued; and withdrawing the old, misinterpreted government advice that prompted too many buildings being declared as unsafe; and
- New protections for leaseholders living in their own flats: with no bills for fixing unsafe cladding and new statutory protections for leaseholders within the Building Safety Bill

Secretary of State for Levelling Up, Michael Gove, said:

More than 4 years after the Grenfell Tower tragedy, the system is broken.

Leaseholders are trapped, unable to sell their homes and facing vast bills.

But the developers and cladding companies who caused the problem are dodging accountability and have made vast profits during the pandemic whilst hard working families have struggled.

From today, we are bringing this scandal to an end – protecting leaseholders and making industry pay.

We will scrap proposals for loans and long-term debt for leaseholders in medium-rise buildings and give a guarantee that no leaseholder living in their own flat will pay a penny to fix dangerous cladding.

Working with members of both Houses, we will look to bring a raft of leaseholder protections into law through our Building Safety bill.

And we will restore much needed common sense on building safety assessments, ending the practice of too many buildings being declared unsafe.

Dame Judith Hackitt, who chaired the Independent Review of Building Regulations and Fire Safety said:

Today's announcement by the Secretary of State is very welcome and should come as a great relief to the many leaseholders who have felt trapped by the prospect of having to pay for remediating defects to properties which they bought in good faith.

Those who caused the problem now need to step up, take responsibility and show some leadership. This problem has gone on for too long and we need a rapid solution, not months of debate and negotiation leaving innocent leaseholders in further limbo.

The announcement that industry is being put "on notice" follows both the suspension of Rydon Homes, because of its links to Rydon Maintenance, the company responsible for the refurbishment of the Tower, from the government's Help to Buy Scheme last month, and the welcome decision by Mercedes to end their sponsorship deal with Kingspan.

The [Levelling Up Secretary has written to developers](#) to convene a meeting over the next few weeks, and report back before the House rises at Easter with a fully funded plan of action including remediating unsafe cladding on 11-18m buildings.

Should industry not come to the table and agree to a solution, the government will be forced to impose one.

Clauses in the Building Safety Bill will allow the government to introduce a levy on developers of high-rise buildings, building on the 4% tax on the largest most profitable developers, which was announced in this year's Budget and expected to raise at least £2 billion over the next 10 years to help pay for building safety remediation.

To ensure that every dangerous building has the necessary work done to make it safe, we will open up the next phase of the Building Safety Fund later this year and focus relentlessly on making sure it is risk driven.

In a bid to provide more transparency, leaseholders will also soon be able to access a new portal which will show them the status of their building's application to the Building Safety Fund. More information will follow shortly.

## **Protecting leaseholders**

To protect blameless leaseholders in buildings over 11m from short-term enforcement of excessive bills and potential bankruptcy, the government will introduce a series of rapid measures.

An additional [£27 million will see fire alarms installed in all high-risk buildings](#) to keep residents safe and end the dreadful misuse of costly waking watch measures, which are usually paid for by leaseholders.

The government will also work with MPs and Peers to consider further amendments to the Bill to enshrine protections for leaseholders in law, and will continue to work across government to ensure leaseholders are protected from forfeiture and eviction due to historic fire safety costs.

Changes to grant funding guidance will help those in shared ownership homes who want to sublet their properties and encourage landlords and lenders to approve requests, in recognition of the hardship shared owners are facing.

The government will also introduce amendments to the Building Safety Bill to retrospectively extend the legal right of building owners and leaseholders to demand compensation from their building's developer for safety defects up to 30 years old. The Bill currently covers defects up to 15 years old and so this amendment will give thousands more leaseholders the right to challenge.

## **Restoring common sense**

To help restore common sense to the market, the Levelling Up Secretary today insisted there must be fewer unnecessary surveys, an assumption that there is no risk to life in medium and low-rise buildings unless clear evidence of the contrary, and far greater use of sensible, risk-mitigating fire safety measures such as sprinklers and alarms.

Following our statement in July, the government is withdrawing the

[Consolidated Advice Note](#) – interim guidance which has been wrongly interpreted by the industry as requiring remediation of all cladding irrespective of building height.

The government will also support updated guidance, produced by the British Standard Institution, to help fire risk assessors take a proportionate approach to the assessment of walls and avoid wholesale cladding replacement where safe to do so.

In the minority of buildings where valuers deem EWS1 forms are still necessary, the government will introduce an indemnity scheme for building assessors to give them greater confidence to exercise professional judgement. We will also begin auditing building assessments to make sure expensive remediation is only being advised where necessary to remove a threat to life.

[New data from lenders](#), also published today, demonstrates that EWS1s are requested by lenders for fewer than 1 in 10 mortgage valuations for flats, and lenders are encouraged to continue to minimise their usage in medium and lower rise blocks.

## **Fairer and safer housing**

The action being taken on building safety is part of a wider programme of reform to create a fairer housing system, hold landlords to account and ensure a crisis can never happen again. This includes putting forward the recommendations of the Hackitt review into law and the commencement of the Fire Safety Act, which is due shortly.

[New procurement guidance](#), published today, will help remove incentives for industry to cut corners, while legislation going through parliament will ban ground rent charges for most new residential leases, expected to take effect later this year.