



By email to: action.chancellors@hmtreasury.gov.uk, jeremy.hunt@hmtreasury.gov.uk

15th June 2023

Dear Mr Hunt,

On the fifth anniversary of the Grenfell Tower tragedy, 14th June 2022, we received a response from ministerial.transfer@hmtreasury.gov.uk which tried to pass on all responsibility for dealing with the ongoing building safety crisis to the Department of Levelling Up, Housing & Communities (DLUHC). Although we continue to welcome the regular engagement that we have with Mr Gove and his team, we remain of the unwavering opinion that it does not diminish the direct responsibility of HM Treasury and that the power to unlock a solution to this national crisis clearly sits within your remit as Chancellor.

A safe and secure home is the foundation from which people can fulfil their potential and contribute to our country. It is now nearly six years since Grenfell yet more than 10,000 residential buildings over 11 metres across the country remain unsafe. With the issue of funding fundamentally affecting the very slow pace of progress, we are writing once again to request a meeting with you focused on HM Treasury's ability to unlock solutions that will ensure homes are made safe quickly and people can move on with their lives.

You acknowledged this issue was within HM Treasury's remit when you agreed to meet developers and their lobbying group, the Home Builders Federation (HBF), on Tuesday 7th February to discuss their apparent concerns relating to new building safety levies. Whilst the HBF may state that your recent Budget did not fully satisfy their demands, they were at least provided the opportunity to meet with you and make their case, whilst millions of leaseholders whose lives have been severely damaged by this crisis have not yet been heard. This imbalance in favour of big business does not sit easily with the Government's insistence that there is integrity, professionalism and accountability at every level and that it is committed to the Prime Minister's stated notion of earning the trust of the country's citizens.

The building safety crisis is complex but there is a consensus across all parties that leaseholders are blameless and should not bear the costs of a crisis that was caused by the collective failure of industry and successive governments, which has been revealed in great detail by the Grenfell Tower Inquiry.

We welcome Mr Gove's attempts to end this living nightmare for innocent leaseholders, within the restrictions of the current funding – but previous interventions have not been sufficient and cover only a fraction of the monies needed to end this crisis for good.

Indeed, HM Treasury has in many ways been a beneficiary of the crisis so far, due to collecting Insurance Premium Tax on soaring building insurance premiums and VAT on remediation works. Given Mr Gove's recent admission that "faulty and ambiguous" government guidance allowed the building safety scandal to take hold, the state's net contribution does not yet go nearly far enough to be commensurate with its responsibility. The earlier this crisis is addressed, the lower the cost to fix it will be and the sooner that productivity and growth will return, benefiting our economy.

Despite Mr Gove's best efforts to protect some leaseholders to some extent, the vast majority of ordinary people are still on the hook for unaffordable costs, which cannot be justified. This includes leaseholders who have been labelled as 'non-qualifying' for government protection and therefore face uncapped costs to fix historic building safety defects in their properties. This is either due to their owning (or jointly owning) more than an arbitrarily-determined three properties; because their building is resident-owned, something which successive governments have encouraged; or because their building is below a certain height threshold – regardless of whether banks, insurers and fire engineers insist that those buildings are unsafe and must be remediated.

We are hopeful that you may have some particular sympathy for non-qualifying leaseholders who own more than three properties – having been in this position yourself with the seven properties you purchased in Alexandra Wharf in Southampton, which were developed by Nicolas James Group, the firm owned by your long-standing acquaintance, Mr Nicolas James Roach.

We understand that you were fortunate enough that building safety issues at Alexandra Wharf were remedied at no cost to the leaseholders, including Mare Pond Properties, of which you were a person of significant control until 3rd August 2019. This may also be the fortunate case for a limited number of other non-qualifying leaseholders, in the small subset of buildings that will be covered by the Developer Self-Remediation Contract – although even that remains uncertain, as recent Ministerial responses have

highlighted that the final version of that contract no longer ensures that 100 per cent of building safety defects, as defined by the Building Safety Act, will be remediated by developers in these buildings.

However, in the vast majority of cases – more than 85% of the estimated 10,000 unsafe buildings across the country – non-qualifying leaseholders will not be as lucky as you were. They face complete ruin.

HM Treasury has long been aware of the enormous impact that the failure to resolve the building safety crisis has had on the housing market, as previously reported in September 2020 [here](#) and in April 2021, [here](#). Unfortunately, the much-vaunted ‘Industry Statement on Cladding’, first announced by mortgage lenders and the Royal Institution of Chartered Surveyors (RICS) in July 2022 and finally effective from 9th January 2023, is not working in practice. The housing ladder remains severely broken.

This is clearly evidenced in paragraph 5.14.17 of the UK Finance Mortgage Lenders’ Handbook for Conveyancers, available [here](#). Lenders are explicitly requesting confirmation of the qualifying status of a lease before lending for sale or remortgage purposes. Countless ordinary people who have been summarily ruled out of the Government’s leaseholder protections now face the clear and present dangers of negative equity and bankruptcy. Many qualifying leaseholders are also being denied mortgages without extra information such as start and end dates for remediation, which they cannot provide due to the glacial pace of making homes safe.

We have been informed that RICS advised DLUHC of the impact of the ‘political decision’ that was taken to differentiate between categories of leaseholders, namely the *“difficulties in a block where several such (non-qualifying) leaseholders who may not be able to afford their share of remediation, stalling or slowing down any remediation works”*. This was reiterated in a recent RICS podcast, available [here](#), where the RICS Global Building Standards Director spoke of *“quite horrifically high costs,”* for any leaseholder with four or more properties.

Despite these warnings, the Government’s current proposals have been designed to force non-qualifying leaseholders to pay tens, if not hundreds, of thousands of pounds each to fix historic building safety defects they did not cause. In no other sector of our economy would we expect innocent consumers to pay for safety defects, so why would this be considered conducive to a fair market when it comes to our homes, the most substantial and personal purchase we ever make? When leaseholders cannot pay for the failings of other parties, those buildings will not be fixed and will remain unsafe for years to come, affecting both non-qualifying and qualifying leaseholders.

In July 2021, the Government said that there was “no systemic risk” in buildings below 18 metres in height, based on the ‘Independent’ Expert Panel statement [here](#). We were advised that this unfair decision was predominantly taken so as not to “spook the market [any further]”. That position on “no systemic risk” below 18 metres has now been reversed, with the Government now accepting remediation schemes must be funded below that height. But the goalposts have shifted and we note the same line about “no systemic risk” is now being used to describe buildings below 11 metres, for example [here](#), with the Government offering only to look at such buildings on a case-by-case basis.

Despite this, the recent Government consultation on Approved Document B, which includes proposals for some buildings under 11 metres (when occupied as care homes), acknowledged the fundamental principle that building risk is not determined solely by height, and that the risk of property damage from “low frequency, high consequence” incidents should be mitigated against in buildings of all heights. The Government has also banned Grenfell-style ACM and MCM cladding on buildings of all heights, yet it has so far left leaseholders in sub-11 metre buildings to fend for themselves when it comes to the cost of removing it. This inconsistency in policy, purely to save money on a small number of buildings, is illogical and harms the Government’s claim that it is prioritising making people safe in their homes.

To be clear, the housing market and mortgage lenders are already spooked – as they have been for years – and this is made clear in the recent statement by Halifax [here](#), in respect of “changes made to the treatment of properties with cladding, or where the cladding status is unknown”. It states that EWS1 forms are deemed to no longer be required in buildings that are five storeys or higher, but “may still be required for buildings four storeys or lower and for properties in Scotland, Wales or Northern Ireland”.

This is a perverse consequence of the Government’s piecemeal approach to providing leaseholder protections. It is this approach which is preventing recovery in the market for purpose-built flats, effectively removing what is not only the first rung on the housing ladder, but often the last rung for those downsizing. This takes away life choices and affects long-term outcomes for families. House sales can also fall through if one or more affected flats are in the property chain. Potentially anyone in our country wishing to have the freedom to move home can be impacted.

We have watched as buildings across our country have been prohibited and residents made homeless. The speed of such enforcement action has accelerated in recent months. We cannot stand by and watch this appalling outcome escalate and affect even more families, which is what will happen without clear and decisive action at pace by the Government.

We have long maintained that the Government has the resources and responsibility to make homes safe without further delay. Wherever unsafe buildings have a remediation funding gap that is not met by developers or building owners, the Government should step in and fund remediation up front so that work to make homes safe can begin without leaseholders paying a penny. It should subsequently use its ability to recover monies from other responsible parties over the coming years.

In Ireland, the government has announced that it will pay in full for all defective apartment blocks built during decades of “lax regulatory oversight”. Their government will fund a retrospective redress scheme, covering all leaseholders – whilst our government has not yet stepped up to do so, despite the warm words we have heard repeatedly that leaseholders “should not” pay. This is a question of political will and of the Government finally recognising the importance of safe housing to the electorate.

For full background on the opportunities missed by HM Treasury to do the right thing and engage with innocent leaseholders on this issue, please see the letters we have previously sent to the then Chancellor and now Prime Minister, Rishi Sunak, in November 2020 [here](#), in February 2021 [here](#), and in April 2022 [here](#), as well as our response to the Residential Property Developer Tax consultation in July 2021 [here](#).

We respectfully request that you engage with the very people that our government is duty-bound to protect and that you take this opportunity to place the lives and wellbeing of the nation's citizens first. There can be no meaningful ‘levelling up’ without ensuring that hundreds of thousands, if not millions, of people living in defective properties can finally move on with their lives. It is already nearly six years since Grenfell; how much longer can the country afford to keep so many people trapped and unable to fulfil their potential? The cost of opportunities lost for so many people, for so many years, is staggering.

As we told Mr Gove when we first met him in October 2021, we will not stop campaigning until there is a fair and comprehensive solution to this issue. As Chancellor, you have the power and ability to help deliver a long-lasting solution ahead of the next general election. Until the Government delivers this, the housing market will remain beset by uncertainty and a lack of confidence, and the outcomes for families across the country will become irrevocably damaged. It does not have to be this way; our country can do better than this. Please do not fail to grasp this opportunity.

We look forward to your response and to your department engaging with leaseholders to deliver a solution.

With our best wishes,