

The Landlord and Tenant Act 1954

A brief introduction to renewing business leases and the Landlord and Tenant Act 1954 (The 1954 Act)

This note provides a brief introduction to the 1954 Act and the rights and protection it affords to both landlords and tenants of business premises.

The primary aims of the 1954 Act are to:

- Provide a tenant of business premises with a statutory right to be granted a new lease on terms which are broadly the same as the old lease (save for rent and the length of the term of the new lease).
- Entitle the tenant to remain in occupation of the premises when their lease expires (known as the 'continuation tenancy').
- Provide the tenant with a right to be paid compensation by their landlord in certain cases where their right to a new lease is opposed by a landlord who is seeking possession.

Subject to certain exceptions, the 1954 Act applies to:

- Leases granted for a fixed term of more than six months to a tenant who is occupying the premises for business purposes.

- Periodic tenancies created in favour of a tenant who is occupying the premises for business purposes.

Inside the Act or outside the Act?

The protection afforded by the 1954 Act will apply automatically to a lease of business premises unless the landlord and tenant exclude it prior to the lease being granted. Excluding the 1954 Act requires a specific process and procedure to be followed.

What happens when the lease term is about to expire or has already expired?

- For a tenant of a lease of business premises which is protected by the 1954 Act:
 - The tenant can remain in occupation after the lease expires until the continuation tenancy is brought to an end by agreement or a notice given under the 1954 Act.
 - The tenant could choose to vacate the premises by the expiry of the contractual term.
 - The tenant can serve a **Section 26 Request Notice** informing its landlord of the terms upon which it would like to renew the lease.

- The tenant could serve a **Section 27 Notice** informing its landlord that it does not want to renew its lease.
- The landlord could serve a **Section 25 Notice** informing its tenant of the terms upon which it is willing to grant a new lease.
- The landlord could serve an “**Opposed**” **Section 25 Notice** informing its tenant that it opposes its right to be granted a new lease based on one or more of the 7 grounds of possession.
- The landlord could serve a **Counter-Notice** in reply to its tenant’s section 26 Request Notice, informing its tenant that it opposes its right to be granted a new lease based on one or more of the 7 grounds of possession.

There are **strict time limits** which apply to the service of the above notices and the action which either a landlord or a tenant must take in response to protect their position. It is beyond the scope of this factsheet to set out that information and advice should always be sought.

What happens if the landlord and tenant cannot agree the new lease terms?

- The landlord and the tenant are each entitled to make an application to the Court for it to determine the terms of the new lease. Only one of them may apply.
- An application to Court cannot be made if a Section 25 or Section 26 Notice has not been served.
- There are **strict time limits** governing the deadline by which a tenant must make its application to the Court if it wants to retain both its right to remain in occupation and be granted a new lease.

The amount of rent payable while the terms of the new lease are being decided

- During the continuation tenancy, the tenant will continue to pay the same level of rent. The terms of the old lease also apply during this period.
- Where the rent being paid by the tenant is above or below market rate, then the party which is losing out may wish to make an application to Court for an ‘**interim rent**’.
- Broadly speaking, the purpose of an interim rent is to ensure that a market rent is paid for

the relevant period during which the terms of the new lease are being agreed.

- An interim rent application is usually made as part of the papers filed at Court when proceedings are commenced or responded to.
- In practice, the amount of interim rent is often paid and collected at the time the new lease is completed.
- Where a new lease is not completed and/or the amount of interim rent cannot be agreed, the Court can be asked to make a determination.

Compensation due to a tenant where the landlord opposes the grant of a new lease

- A tenant might be entitled to be paid compensation where their right to a new lease is opposed by the landlord on one or more of the ‘compensation grounds’.
- The amount of compensation due is either 1x the rateable value of the holding or in some cases it can be double.



James Picknell
Partner, Real Estate Dispute Resolution
+44(0) 1483 467463
James.Picknell@dmhstallard.com

Contact us

Our dedicated team of specialist commercial landlord and tenant advisers can assist you with every aspect of your lease renewals of business premises. Please do get on contact to discuss.

Call us on 03333 231 580
e-mail us enquiries@dmhstallard.com

DISCLAIMER: THIS INFORMATION IS FOR ILLUSTRATIVE PURPOSES AND IS NOT INTENDED TO AMOUNT TO LEGAL ADVICE ON WHICH RELIANCE SHOULD BE PLACED. WE, DMH STALLARD LLP, DISCLAIM ALL LIABILITY AND RESPONSIBILITY ARISING FROM ANY RELIANCE PLACED ON THIS INFORMATION. ANY RELIANCE ON THIS INFORMATION IS SOLELY AT YOUR RISK. The provision of this information does not create a business or professional services relationship. This information is not exhaustive and does not attempt to address every issue relevant to a particular situation. If you require advice on a specific legal issue, please contact a lawyer listed on our website, dmhstallard.com, or send an email to enquiries@dmhstallard.com.