

**Y TRIBIWNLYS EIDDO PRESWYL**  
**RESIDENTIAL PROPERTY TRIBUNAL**  
**LEASEHOLD VALUATION TRIBUNAL**

**Reference:** LVT/0030/10/20

**In the Matter of: 13 Llwynifan, Llangennech, Llanelli, Carmarthenshire/Sir Gaerfyrddin  
SA14 8AJ**

**And in the Matter of an application under sections 21(1)(a) of the Leasehold Reform Act 1967 (as amended)**

**TRIBUNAL:** Dr Christopher McNall (Lawyer – Chairperson)  
Mr Andrew Lewis FRICS FCI Arb (Surveyor-Member)  
Mr Andrew Weeks MRICS MSc (Surveyor-Member)

**APPLICANTS:** Robert Neil Williams  
Susan Nancy Roberts

**RESPONDENT:** Unknown owner of the freehold

**DECISION**

The appropriate sum to be paid into Court under section 27(5) of the Leasehold Reform Act 1967 for the freehold interest in the house and premises at 13 Llwynifan, Llangennech, Llanelli SA14 8AJ) is **£5,640 (five thousand six hundred and forty pounds)** (being made up of £5,550 price payable in accordance with section 9 (section 27(5)(a)) and £90 being the amount of any pecuniary rent payable for the house which remains unpaid: section 27(5)(b)).

**REASONS FOR THE DECISION**

**Background**

1. This case concerns the valuation of the appropriate price to be paid by the Applicants to buy the freehold reversion of the residential property known as and situated at 13 Llwynifan, Llangennech, Llanelli SA14 8AJ: ‘**the Property**’.
2. The Applicants are and since 13 July 2011 have been the registered proprietors of the leasehold title to the Property, registered with the Land Registry under Title Number WA67054. The Applicants acquired the lease on 24 June 2011.

3. The lease was originally granted on 22 July 1969 for a period of 99 years from 24 June 1968. The ground rent is £15: see Clause 1(e) of the Lease. The Applicants have never paid ground rent. Up to six years' rent is recoverable: Limitation Act 1980 section 19.
4. The lessor is recorded as Prensjean Company Limited. That company was struck off the Register of Companies in 2009.
5. The freehold interest is unregistered, and there is no conveyance in evidence (i) vesting the freehold land in the Company or (ii) showing that the Company, if so vested, retained any interest after the grant of the lease.
6. On 26 August 2020, the Applicants issued a claim in the County Court at Llanelli under Part 8 of the Civil Procedure Rules, pursuant to section 27 of the Leasehold Reform Act 1967 (as amended by section 148 of the Commonhold and Leasehold Reform Act 2002) ('the 1967 Act') for the purchase of the freehold reversion of the Property.
7. The claim is supported by a witness statement (endorsed with a Statement of Truth) from Michael Green, a solicitor of Phillips Green and Murphy, dated 25 August 2020.
8. That witness statement details Mr Green's extensive efforts to trace any person who might have an interest in responding to this application, including the Bona Vacantia Division of the Government Legal Department (who, in a letter dated 14 January 2019, declined to express any concluded view as to whether it had an interest) and the solicitors for the former directors (Messrs Prendergast and Jenning) of Prensjean Company Limited. Although Mr Prendergast was made aware by solicitors of this situation and this proposed application in November 2019, no person or department informed of this application has responded to it. We are satisfied that the landlord is a person who cannot be found or whose identity cannot be ascertained, and is a missing landlord within the proper meaning and effect of the 1967 Act.
9. The Part 8 claim came before Deputy District Judge D M Evans, sitting in the County Court at Llanelli, on 2 October 2020, when, upon hearing Counsel for the Claimants, he transferred "proceedings" to this Tribunal (albeit described wrongly in the order as "First Tier Land Tribunal") in order for the freehold property of the Property to be valued.
10. The Judge's order is dated 13 October 2020. Clause 4 of that Order provides that the Claimants should pay the sum determined into this Tribunal. That is not correct: the sum must be paid into the County Court (see section 27(5) of the 1967 Act) and the Claimants must apply to vary Clause 4 of the Judge's order accordingly. This Tribunal has no statutory authority to receive or hold any such moneys.

11. The Tribunal must determine the purchase price on the relevant day. The relevant day in this case is the date upon which the underlying claim was issued, namely 26 August 2020.
12. The 1967 Act enables tenants of long leases let at low rents to enfranchise their properties – in other words, to acquire the freehold on terms as set out in the 1967 Act.
13. The 1967 Act sets out the procedure to be followed where the landlord cannot be found. The Leasehold Valuation Tribunal is required to determine the purchase price, in accordance with the valuation methodology as set out in section 9 of the 1967 Act, as amended.
14. We have carefully considered the valuation report dated 5 August 2020 prepared on behalf of the Applicants by Sarah Foster BSc PGDip MRICS of RJ Chartered Surveyors in Swansea, including the helpful information as to comparables. That report asks the Tribunal to determine a price payable for the freehold interest of £5,750.
15. Under section 9(1) the price payable is the amount which, at the relevant time, the house and premises, if sold on the open market by a willing seller (with the tenant and members of his family not buying or seeking to buy) might be expected to realise on certain assumptions, including the assumption that the tenant has complied with his covenants and disregarding any tenant's improvements. It is further assumed that the tenant would exercise his or her right under section 14 of the 1967 Act to claim an extended lease. If the lease is extended under section 14, it gives rise to a further statutory term of the lease with the ground rent (known as the 'Modern Ground Rent') being set by section 15 of the 1967 Act. The statutory term is 50 years, with a ground rent review at 25 years.
16. Under section 9(1) the task of the Tribunal is to determine, as at the valuation date, the present capital value of the ground rent due for the remainder of the term of the lease and thereafter to determine the value of the reversion.
17. We agree with Ms Foster that the correct approach for this Tribunal to adopt is the three-stage approach described by the Lands Chamber of the Upper Tribunal (the then-President and Mr NJ Rose FRICS) in Re Clarise Properties Limited [2012] UKUT 4 (LC), where the Tribunal said as follows (at Paragraph [36]):

*“We consider that the time has now come to move away from the two-stage approach [i.e., capitalised term rent and defer in perpetuity modern ground rent] as the standard practice in section 9(1) valuations and to apply instead the three-stage approach. As a matter of good valuation practice, where a price has to be determined, every element of value should in general be separately assessed unless there is some good reason not to do so. There is now a much greater likelihood that the ultimate reversion will have a significant value than*

*there was when the two-stage approach became adopted as standard practice 40 years or more ago. There are two reasons for this. The first is that house prices, including the prices of houses that would fall to be valued under section 9(1), have increased substantially in real terms; and the second is the lower deferment rates that are now applied in the light of Sportelli. There is, we think, a real danger that applying the two-stage approach as standard will in some cases lead to the exclusion of an element of value that ought to be included in the price. This is particularly so if valuers and LVTs treat as the criterion for the application of a Haresign addition whether the house is "substantial" and thus exclude any element of value in the ultimate reversion (other than that included in the capitalisation of the section 15 rent in perpetuity) where the house does not meet this ill-defined criterion. The only relevant question is whether the reversion does have a significant value. In future, therefore, we consider that the appropriate approach will be to capitalise the section 15 rent to the end of the 50-year extension and to assess the value (if any) of the ultimate reversion."*

18. The Applicants did not require the Tribunal to deal with their application by way of a hearing. They were content for the Tribunal to decide the matter from the papers before it.

### **Inspection**

19. The two surveyor members of this panel of the Tribunal inspected the Property externally and internally on 26 January 2021. Due to Covid-19 restrictions, the Chairperson of the panel did not attend the inspection. The panel convened by video call using the Tribunal's Video Platform on 27 January 2021.
20. The Property is a semi-detached two-storey three-bedroom dormer style house. It is externally identical to many of the other properties on the street, which is a cul-de-sac and part of a small estate off Torsersch Road. Internally, the property is in a good condition with modern kitchen and bathroom fittings.

### **Determination**

#### ***Stage 1 - Capitalisation of the unexpired term***

21. 47 years remained unexpired at the valuation date. The ground rent is fixed at £15.00 per annum which is capitalised for 47 years at 6.5%, giving £219.

#### ***Stage 2 - Entirety value***

22. Case law under the 1967 Act requires us to assume that the property has been fully developed when valuing the Entirety Value. The Tribunal considers on this occasion

that the property has been developed to its fullest extent. Accordingly, we consider the best comparable to be the neighbouring property, 12 Llwynifan, which sold in August 2020 for the asking price - £149,995 (say, £150,000). In our view, it is a materially identical property to this one.

23. We consider that the site value percentage put forward of 30% of the Entirety Value was appropriate, and we find accordingly i.e., £45,000. This is decapitalised at 5% to arrive at the Modern Ground Rent i.e., £2,250 per annum.
24. The Modern Ground Rent is capitalised at 5% for the new statutory extension i.e., 50 years, deferred for the remainder of the existing term i.e., 47 years at 5%. The resultant value of this Stage being £4,147.

### ***Stage 3 - Standing house value***

25. For the third stage of the valuation, we must determine the Standing House Value of the property - deferred for 97 years (namely 47 years unexpired term plus 50 years statutory extension).
26. Having regard to the age and condition of the property we agree that it could plausibly still be standing in 97 years.
27. The Appellants invite us to find a Standing House Value of £140,000. In our view the appropriate Standing House Value is £150,000, as evidenced by the sale of the adjoining property 12 Llwynifan.
28. The Tribunal was invited to deduct 10% from the Standing House Value to take into account the right conferred within Schedule 10 of the 1989 Act. We do so. Accordingly, the value is reduced to £135,000 which is deferred for 97 years at 5%, to provide a figure of £1,188 for the third reversion.
29. It will be noted that the Tribunal has used through the valuation the rates of interest for capitalisation and deferment employed by Ms Foster in her valuation, as these are the rates regularly adopted by this Tribunal in the valuation of similar properties at this time.

### **Decision**

30. Applying the findings which we have made above, we calculate the value of the freehold of the Property as follows:

### Stage 1 – The Term

Ground rent	£15.00 per annum	
YP in 47 years at 6.5%	<u>14.5873</u>	
		<b>£219</b>

### Stage 2 – First Reversion

Entirety value	£150,000	
Plot value @ 30%	£45,000	
Modern Ground Rent at 5%	£2,250 per annum	
YP in 50 years at 5%	18.2559	
PV of £1 in 47 years @ 5%	<u>0.100949</u>	
		<b>£4,147</b>

### Stage 3 – Second Reversion

Standing House Value	£150,000	
Less Schedule 10 rights @ 10%	£15,000	
Adjusted Value	£135,000	
P.V of £1 in 97 years @ 5%	<u>0.0088</u>	
		<b><u>£1,188</u></b>
		<b>£5,553</b>
Say		<b><u>£5,550</u></b>

[YP = ‘Years’ Purchase’; PV = ‘Present Value’]

### Other orders

31. Section 27(5) of the 1967 Act provides that the sum to be paid into court is the aggregate of (a) such amount as may be determined to be the price payable in accordance with section 9, and (b) the amount of any pecuniary rent payable for the house and premises up to the date of the conveyance which remains unpaid.
32. (a) is £5,550.
33. (b) is £15 x 6 years (see Limitation Act 1980 section 19) = £90.

34. The total is therefore **£5,640**.
35. The Tribunal directs that a copy of this Decision and Reasons be placed before the District Judge at any renewed hearing of the claim in the County Court, and that the Tribunal's order be permanently endorsed upon the freehold title, when it comes to be registered.

Dated this 4<sup>th</sup> day of February 2021

Dr Christopher McNall  
Lawyer-Chairperson