

Fact Sheet – Solar Panel Leases

If the Property you are buying contains solar panels, we will tell you whether these are owned by a Solar Panel Company pursuant to the terms of a Solar Panel Roof-space Lease.

We will supply you with a copy of the Lease. The rights and obligations of the Company and you as the Property Owner are described in the Lease which are commonly granted for a term of 20-25 years. You are the Landlord within this Lease and the Solar Panel Company is the Tenant.

At a very basic level, Solar Panel Leases usually oblige the Solar Panel Company to install and maintain the 'electricity generating solar panel system' which is 'connected' to the national grid. Property owners are usually entitled to use some of the electricity produced by the panels for their own needs. The Solar Panel Company is eligible, in return, to receive payment for supplying excess electricity diverted onto the national grid. The amount credited to each national grid 'supplier' is prescribed within Feed In Tarriff regulations supervised by OFGEM.

This is very much a commercial venture for the Solar Panel Company who usually intend to profit as much as possible from the arrangement. Some solar panel leases are fairer than others. At one end of the spectrum, some leases permit property owners to share part of the income generated from the excess electricity supplied to the national grid. At the other end of the spectrum some leases only permit use of the electricity generated during daylight hours and also make it extremely costly to terminate the arrangement.

Some Mortgage Lenders are wary of Solar Panel Lease schemes. The UK Finance Mortgage Lender Handbook has issued criteria considered by most Lenders to distinguish good quality arrangements from bad ones. It is possible that bad quality arrangements not meeting the criteria could result in mortgage offers being withdrawn which may in turn result in an aborted sale and purchase of the Property.

A summary of the main issues is cited below for your consideration;

- **Solar Panel Company** – The original installer quite often sells their interest to another company. In addition, third party agents are appointed to read meters and administer the electricity supply sold back to the national grid. You should be aware of who the registered proprietor of the Solar Panel Lease is.... And any administrator appointed by them if applicable.
- **Building Regulations Approval Completion Certificate** - The weight of a solar panel system does raise a concern about the impact on the roof structure. A building regulations approval completion certificate gives some assurance that this issue has been considered by a building control officer. If no certificate is available you should consider instructing your Surveyor to confirm whether they have any particular concern in this regard.
- **Microgeneration Certification Scheme (MCS Certificate)** – If the installer was a member of this scheme and supplied a certificate to confirm, it is likely that the materials and fitting were carried out to a competent standard.
- **Renewable Energy Consumer Code Certificate** – It is preferable for the original installer and the current owner of the solar panel lease to be accredited members of this scheme. The code sets out minimum core standards and codes of conduct considered to be reasonable in setting up the lease arrangement and the ongoing administration of the rights and obligations contained in it. Accordingly, membership of this quality assurance scheme tends to indicate

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that your solar panel arrangement does not contain some of the more exploitative practices carried out by some Solar Panel Companies within some solar panel lease arrangements.

- **Feed in Tariff Assignment** – If the current owner is entitled to a share of the income from the electricity sold back to the national grid, then the appropriate assignment form will need to be signed by Seller.
- **Lease Ending the Term** – Commercial tenants of commercial leases have a statutory right to an automatic renewal of the lease on the same basis upon its expiry unless this 'statutory right' is excluded in the Lease. Even if the Lease does contain an 'exclusion' the same can still be challenged unless it can be shown that when the commercial lease was first granted the tenant was given a formal Notice (containing information about the nature of the valuable rights that are being excluded) and the Tenant signed a Declaration confirming that they had read and understood the Notice. Accordingly, it is vital to obtain a copy of the Notice and Declaration which should be kept with your records in addition to the lease. We strongly advise you to resist the tempting assumption that the Lease will automatically expire at the end of the Lease term. Most commercial Leases can only be brought to an end by the service of an appropriate legal notice a good period of time before the proposed expiry. We urge you to appoint a lawyer to assist you in this regard. Your failure to terminate the lease correctly may result in your commercial tenant obtaining an automatic renewal of the commercial lease for a fresh term.
- **Insurance** – The Lease should oblige the Solar Panel Lease Company to insure the panel system. Your buildings insurance policy may be invalidated if you do not disclose the existence of the Solar Panel Lease to your insurer. Accordingly, we strongly advise you to do so.
- **Lease Break Clause** – Preferably the Lease will contain an option to 'break' the arrangement. Please bear in mind that break clauses must be exercised very exactly in accordance with the procedure set out in the Lease. Failure to do so may result in loss of the option. Commonly break clauses are linked to formulas setting out a compensatory sum to be paid to the Solar Panel Company. The formulas can be ambiguous and if this is the case the Solar Panel Company will look to take advantage of any ambiguity and extract as much money as possible usually on the basis of the calculated income that would have been due to them for the remainder of the Lease term.
- **Equipment Removal** - On the expiry of the Lease, the Solar Panel Company may not be obliged to remove the solar panel equipment.

Please let us know if you have any specific concerns as a result of reading this fact sheet. In the meantime we will be looking for confirmation of the above from the Seller's appointed solicitor.