



Setting Standards for  
Retirement Communities

# The Retirement Occupancy Lease: Applying international best practice to housing-with-care

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# Key Points

The Retirement Occupancy Lease (ROL) is a modern alternative to traditional leasehold for housing-with-care for older people, based on 'what works' overseas.

The ROL would introduce enhanced consumer protection to housing-with-care, and allow the UK to catch up with bespoke tenure models used in countries with more mature sectors.

The ROL would be key to accelerating growth of a sector ideally placed to meet the housing and care needs of the UK's ageing population.

## 1 Introduction

Over the last two decades, operators of housing-with-care for older people have applied the lessons of other countries in developing new schemes in the UK. Learning directly from New Zealand, Australia, the USA and elsewhere, operators have:

- Enabled 'asset-rich, income-poor' older households to **use their housing wealth to pay toward the cost of services and facilities** – significantly improving affordability and accessibility
- Adopted **long-term hybrid return models** that blend the delivery of new homes with the creation of long-term service businesses
- Taken on the **financial risk and responsibility for long-term maintenance, investment and refurbishment** – eliminating residents' worry about expensive, unpredictable sinking-fund contributions
- Moved toward **fixed monthly management fees** that rise in line with an index - allowing residents to plan ahead with increased confidence and security.

All new 'for-sale' housing-with-care provision in the UK includes all or most of these features.

These distinct operational and financial models have in turn enabled operators to adapt and evolve the design of housing-with-care schemes in the UK leading to a sectoral focus on **Integrated Retirement Communities (IRCs)** – purpose-built developments designed to support older people to live independently for longer, with access to care, support and communal facilities as their needs change.

IRCs provide high levels of services and comprise guaranteed personal care if it is required, 24/7 on-site staff, wellbeing services, communal spaces, and 24/7 on-site support.

By providing independent living with lifestyle services focused on prevention, as well as personal care and support if required, **the IRC sector has filled a critical gap in the social care landscape** between:

- Care homes – providing support to people with the highest support needs
- Domiciliary care in the community

## 2 Leasehold and enabling innovation in housing-with-care

By adopting the lessons of other countries, charity, not-for-profit and private operators of IRCs in the UK have moved beyond traditional models of residential leasehold in order to:

- Respond to concerns about affordability, consumer confidence and long-term sustainability
- Reduce financial shocks and uncertainty in later life
- Align operators' incentives with long-term service quality and resale performance.

However, in seeking to apply 'what works' from the housing-with-care sectors of other countries, IRC operators are now **ready to move beyond the limitations of traditional leasehold**.

Why? Leasehold was never designed for modern, service-focused housing-with-care:

- **Static leases** - using leases that remain unchanged for hundreds of years means it is difficult to update and modernise customer agreements that need to remain responsive to changes in customers' circumstances, preferences and expectations

- **Lack of dedicated legislation** - while operators' models have evolved in response to consumer demands and international best practice, the existing leasehold system has remained static. Unlike other countries with sector specific legislation, the traditional leasehold system does not offer specific protections for older people moving into housing-with-care.
- **A system that impedes growth** - in many countries, dedicated legislation has been a precursor to growth of housing and care options. The lack of long-term certainty for operators in the UK has held back the growth of a sector that is crucial to meeting the housing needs and care needs of our ageing population.

Looking abroad, rather than property ownership, international housing-with-care sectors such as New Zealand, Australia and the United States, use **bespoke, contract-based tenure models** which focus on the rights of residents and service provision.

The lesson is clear: the UK's continued reliance on inflexible long leases for older people's housing-with-care does not represent international best practice and is a barrier to the sector applying what works in sectors overseas.

## 3 What Next? The Retirement Occupancy Lease

The UK government is undertaking the biggest reform to the tenure used in general needs housing for hundreds of generations - focused on moving away from traditional leasehold, enhancing consumer protection and eliminating unfair fees. The government's plan for commonhold to become the default tenure used in new mainstream flats will move the UK closer to international norms, empower residents and help to stamp out the exploitation of leaseholders.

ARCO believes the time is also right for moving beyond traditional leasehold in housing-with-care for older people.

ARCO has developed proposals for a **'Retirement Occupancy Lease' (ROL) - a modern alternative to traditional leasehold, specifically designed for IRCs**.

Building on the lessons of New Zealand's system of 'occupational rights agreements', the ROL would fundamentally reorient the legal framework for the IRC sector away from a static property-ownership framework towards **fair, transparent, occupancy-based arrangements that can be updated for every new resident**.

From a legal perspective, this would be achieved by **mandating the use of key clauses in Retirement Occupancy Leases via statutory regulation**.

The ROL would have the following key features:

### **Contractual models that can adapt over time**

The ROL would introduce the principle of updating customer contracts each time a unit in an IRC was sold on to the next owner. Operators would either issue a new lease for each new owner or provide updated service agreements at each reassignment.

This ensures that each customer receives a legal agreement tailored to current services and preferences, making ROLs more akin to other types of consumer contract found in other service industries.

### **Mandatory fixed management charges removing risk from residents**

The ROL makes fixed management charges mandatory for all IRC operators using it. In this way, operators would be responsible for covering unexpected costs from major works and repairs, protecting customers from financial shocks and ensuring predictable monthly outgoings.

## Enhanced consumer protection

**New routes to redress:** Like the ARCO Consumer Code, the ROL would mandate upfront disclosure of fees and charges - ensuring customers could challenge fees that have not been transparently disclosed. A new Code of Practice on services would also apply to ensure that customers have access to an independent redress scheme approved by the Secretary of State if they were unhappy with their service provision.

**Updated legal agreements afforded higher protections in law:** With a new lease or updated legal agreement, the services residents are entitled to would be clearly outlined, allowing challenge if these are not delivered. In addition, all sales would be regulated by the Digital Markets, Competition and Consumers Act 2024, giving strong protection to customers.

**Aligned interests on resales:** Operators using a ROL would take on liability for capital expenditure and unexpected costs, and would therefore suffer direct financial consequences if resale values of apartments were to decline. In this way, the long-term interests of residents and operators would be entirely aligned.

## Simplified fees and terms to enhance customers' understanding and aid comparisons between operators

Operators currently use a wide range of terms and fee structures. While often driven by a desire to differentiate their offerings, this creates complexity and makes it difficult for consumers to compare options and understand their financial commitments.

The ROL introduces a transparent fee structure, mandating three clear elements and consistent terminology: purchase price, monthly management fee, and a Deferred Management Fee. As operators would also be a key party in the resale process, estate agency and resale administration fees would also be eliminated, simplifying the customer experience.

# 4 The Retirement Occupancy Lease: What are operators saying?

The development of new for-sale housing-with-care schemes in the UK is driven predominantly by ARCO members. What are they saying about the ROL?



**Philippa Kellar**  
Managing Director,  
Richmond Villages

*We are continuously innovating to provide a high-quality experience for our residents, and looking at examples of best practice from our Bupa Retirement Villages in New Zealand and others around the world is key.*

*It is vital that the sector does not stand still. Moving on from traditional, long-leasehold will allow the sector to further improve its offering and the ROL is the way to do this.*



**Mick Laverty**  
Chief Executive,  
ExtraCare Charitable Trust

*The ExtraCare Charitable Trust has always provided a new lease to every new resident, and our innovative model has allowed us to deliver thousands of new homes for older people. However, we need legislation to catch up with current practice and the ROL will do just that.*



**Tim Seddon**  
Chief Executive,  
Retirement Villages Group (RVG)

*RVG's shareholders are long-term pension investors managed by AXA IM Alts, a global long-term and diversified asset manager. Looking across the world, leasehold is an anomaly and in the context of global ageing, forward-thinking governments are adopting bespoke arrangements for housing-with-services, such as IRCs. The ROL will accelerate housing delivery and be a building block for further innovation.*

# 5 The Retirement Occupancy Lease:

## A clear choice for government

Just as it is doing for general needs housing, it is vital that the government looks at what works in other countries for specialist housing, including housing-with-care for older people.

The ROL draws directly on international best practice and the tenure benefits found in comparable countries overseas – notably New Zealand’s housing-with-care sector - and applies them to the UK. The ROL will:

- Further strengthen consumer protection for older people living in housing-with-care
- Support sustainable growth in specialist housing supply
- Lay the foundations for future tenure models that move beyond traditional leasehold altogether
- Improve affordability so that more people have the option of living in an IRC.

Operators would be able to retrospectively apply the ROL to existing leasehold units. As such, the ROL would be used for both new and old units.

In the long-term, the ROL could be a stepping-stone toward a full, New Zealand-style contract-based tenure model for housing-with-care of a type that simply doesn’t exist currently in UK law.

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**For further information, please visit** [www.arcouk.org](http://www.arcouk.org)

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