



# Agricultural Holdings Act 1986

## 1986 CHAPTER 5

### PART V

#### COMPENSATION ON TERMINATION OF TENANCY

##### *Compensation to tenant for disturbance*

#### **60 Right to, and measure of, compensation for disturbance**

- (1) This section applies where the tenancy of an agricultural holding terminates by reason—
- of a notice to quit the holding given by the landlord, or
  - of a counter-notice given by the tenant under section 32 above after the giving to him of such a notice to quit part of the holding as is mentioned in that section,
- and the tenant quits the holding in consequence of the notice or counter-notice.
- (2) Subject to section 61 below, where this section applies there shall be payable by the landlord to the tenant by way of compensation for disturbance—:
- a sum computed under subsection (3) below (in this section referred to as "basic compensation"), and
  - a sum computed under subsection (4) below (in this section referred to as "additional compensation").
- (3) The amount of basic compensation shall be—
- an amount equal to one year's rent of the holding at the rate at which rent was payable immediately before the termination of the tenancy, or
  - where the tenant has complied with the requirements of subsection (6) below, a greater amount equal to either the amount of the tenant's actual loss or two years' rent of the holding whichever is the smaller.

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- (4) The amount of additional compensation shall be an amount equal to four years' rent of the holding at the rate at which rent was payable immediately before the termination of the tenancy of the holding.
- (5) In subsection (3) above " the amount of the tenant's actual loss " means the amount of the loss or expense directly attributable to the quitting of the holding which is unavoidably incurred by the tenant upon or in connection with the sale or removal of his household goods, implements of husbandry, fixtures, farm produce or farm stock on or used in connection with the holding, and includes any expenses reasonably incurred by him in the preparation of his claim for basic compensation (not being costs of an arbitration to determine any question arising under this section or section 61 below).
- (6) The requirements of this subsection are—
  - (a) that the tenant has not less than one month before the termination of the tenancy given to the landlord notice in writing of his intention to make a claim for an amount under subsection (3)(b) above, and
  - (b) that the tenant has, before their sale, given to the landlord a reasonable opportunity of making a valuation of any such goods, implements, fixtures, produce or stock as are mentioned in subsection (5) above.
- (7) Compensation payable under this section shall be in addition to any compensation to which the tenant may be entitled apart from this section.

## **61 Cases where compensation under section 60 is not payable**

- (1) Neither basic compensation nor additional compensation shall be payable under section 60 above where the operation of section 26(1) above in relation to the relevant notice is excluded by virtue of Case C, D, E, F or G.
- (2) Additional compensation shall not be so payable where the operation of section 26(1) above in relation to the relevant notice is excluded by virtue of Case A or H.
- (3) Except as provided by subsection (4) below, additional compensation shall not be payable under section 60 above where—
  - (a) the relevant notice contains a statement either that the carrying out of the purpose for which the landlord proposes to terminate the tenancy is desirable on any of the grounds mentioned in paragraphs (a) to (c) of section 27(3) above or that the landlord will suffer hardship unless the notice has effect, and
  - (b) if an application for consent in respect of the notice is made to the Tribunal in pursuance of section 26(1) above, the Tribunal consent to its operation and state in the reasons for their decision that they are satisfied as to any of the matters mentioned in paragraphs (a), (b), (c) and (e) of section 27(3).
- (4) Additional compensation shall be payable in a case falling within subsection (3) above where such an application as is mentioned in paragraph (b) of that subsection is made and—
  - (a) the reasons given by the Tribunal also include the reason that they are satisfied as to the matter mentioned in paragraph (f) of section 27(3) above, or
  - (b) the Tribunal include in their decision a statement under subsection (5) below.
- (5) Where such an application as is mentioned in subsection (3)(b) above is made in respect of the relevant notice and the application specifies the matter mentioned in

paragraph (b) of section 27(3) above (but not that mentioned in paragraph (f) of that subsection), the Tribunal shall if they are satisfied as to the matter mentioned in paragraph (b) but would, if it had been specified in the application, have been satisfied also as to the matter mentioned in paragraph (f) include a statement to that effect in their decision.

(6) In this section—

" basic compensation " and " additional compensation " have the same meanings as in section 60 above ;

" the relevant notice " means the notice to quit the holding or part of the holding, as the case may be, mentioned in section 60(1) above.

## **62 Compensation on termination in pursuance of early resumption clause**

(1) Where

(a) the tenancy of an agricultural holding terminates by reason of a notice to quit the holding given in pursuance of a provision in the contract of tenancy authorising the resumption of possession of the holding for some specified purpose other than the use of the land for agriculture, and

(b) the tenant quits the holding in consequence of the notice,

compensation shall be payable by the landlord to the tenant, in addition to any other compensation so payable apart from this section in respect of the holding.

(2) The amount of compensation payable under this section shall be equal to the value of the additional benefit (if any) which would have accrued to the tenant if the tenancy had, instead of being terminated as provided by the notice, been terminated by it on the expiration of twelve months from the end of the year of tenancy current when the notice was given.

(3) For the purposes of subsection (2) above, the current year of a tenancy for a term of two years or more is the year beginning with such day in the period of twelve months ending with the date on which the notice is served as corresponds to the day on which the term would expire by the effluxion of time.

## **63 Compensation for disturbance: supplementary provisions**

(1) Where

(a) the tenant of an agricultural holding has sub-let the holding, and

(b) the sub-tenancy terminates by operation of law in consequence of the termination of the tenancy by reason of any such notice or counter-notice as is referred to in section 60(1)(a) or (b) above,

section 60 shall apply if the sub-tenant quits the holding in consequence of the termination of the sub-tenancy as mentioned in paragraph (b) above as it applies where a tenant quits a holding in consequence of any such notice or counter-notice.

(2) Where the tenant of an agricultural holding has sub-let the holding and in consequence of a notice to quit given by his landlord becomes liable to pay compensation under section 60 or 62 above to the sub-tenant, the tenant shall not be debarred from recovering compensation under that section by reason only that, owing to not being in occupation of the holding, on the termination of his tenancy he does not quit the holding.

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- (3) Where the tenancy of an agricultural holding terminates by virtue of such a counter-notice as is mentioned in section 60(1)(b) above, and—
- (a) the part of the holding affected by the notice to quit together with any part of the holding affected by any relevant previous notice rendered valid by section 31 above is less than one-fourth of the original holding, and
  - (b) the holding as proposed to be diminished is reasonably capable of being farmed as a separate holding,
- compensation shall not be payable under section 60 above except in respect of the part of the holding to which the notice to quit relates.
- (4) In subsection (3) above " relevant previous notice " means any notice to quit given by the same person who gave the current notice to quit or, where that person is a person entitled to a severed part of the reversionary estate in the holding, by that person or by any other person so entitled.

*Compensation to tenant for improvements and tenant-right matters*

**64 Tenant's right to compensation for improvements**

- (1) The tenant of an agricultural holding shall, subject to the provisions of this Act, be entitled on the termination of the tenancy, on quitting the holding, to obtain from his landlord compensation for an improvement specified in Schedule 7 or Part I of Schedule 8 to this Act carried out on the holding by the tenant, being an improvement begun on or after 1st March 1948.
- (2) In this Act " relevant improvement " means an improvement falling within subsection (1) above.
- (3) Subsection (1) above shall have effect as well where the tenant entered into occupation of the holding before 1st March 1948 as where he entered into occupation on or after that date.
- (4) The provisions of Part I of Schedule 9 to this Act shall have effect with respect to the rights of the tenant of an agricultural holding with respect to compensation for improvements specified in Part II of that Schedule carried out on the holding, being improvements begun before 1st March 1948.

**65 Tenant's right to compensation for tenant-right matters**

- (1) The tenant of an agricultural holding shall, subject to the provisions of this Act, be entitled on the termination of the tenancy, on quitting the holding, to obtain from his landlord compensation for any such matter as is specified in Part II of Schedule 8 to this Act.
- (2) The tenant shall not be entitled to compensation under subsection (1) above for crops or produce grown, seeds sown, cultivations, fallows or acts of husbandry performed, or pasture laid down, in contravention of the terms of a written contract of tenancy unless—
  - (a) the growing of the crops or produce, the sowing of the seeds, the performance of the cultivations, fallows or acts of husbandry, or the laying down of the pasture was reasonably necessary in consequence of the giving of a direction under the Agriculture Act 1947, or

- (b) the tenant shows that the term of the contract contravened was inconsistent with the fulfilment of his responsibilities to farm the holding in accordance with the rules of good husbandry.
- (3) Subject to paragraphs 6 and 7 of Schedule 12 to this Act, subsection (1) above shall apply to a tenant on whatever date he entered into occupation of the holding.

## **66 Measure of compensation**

- (1) The amount of any compensation under this Act for a relevant improvement specified in Schedule 7 to this Act shall be an amount equal to the increase attributable to the improvement in the value of the agricultural holding as a holding, having regard to the character and situation of the holding and the average requirements of tenants reasonably skilled in husbandry.
- (2) The amount of any compensation under this Act for a relevant improvement specified in Part I of Schedule 8 to this Act, or for any matter falling within Part II of that Schedule, shall be the value of the improvement or matter to an incoming tenant calculated in accordance with such method, if any, as may be prescribed.
- (3) Where the landlord and the tenant of an agricultural holding have entered into an agreement in writing whereby any benefit is given or allowed to the tenant in consideration of his carrying out an improvement specified in Part I of Schedule 8 to this Act, the benefit shall be taken into account in assessing compensation under this Act for the improvement.
- (4) Nothing in this Act shall prevent the substitution, in the case of matters falling within Part II of Schedule 8 to this Act, for the measure of compensation specified in subsection (2) above, of such measure of compensation, to be calculated according to such method, if any, as may be specified in a written contract of tenancy.
- (5) Where a grant out of money provided by Parliament or local government funds has been or will be made to the tenant of an agricultural holding in respect of a relevant improvement, the grant shall be taken into account in assessing compensation under this Act for the improvement.

## **67 Compensation for long-term improvements: consent required**

- (1) The tenant of an agricultural holding shall not be entitled to compensation for a relevant improvement specified in Schedule 7 to this Act unless the landlord has given his consent in writing to the carrying out of the improvement.
- (2) Any such consent may be given by the landlord unconditionally or upon such terms as to compensation or otherwise as may be agreed upon in writing between the landlord and the tenant; and the provisions of section 66(1) above shall have effect subject to the provisions of any such agreement as is made.
- (3) Where, in the case of an improvement specified in Part II of Schedule 7 to this Act, a tenant is aggrieved by the refusal of his landlord to give his consent under subsection (1) above, or is unwilling to agree to any terms subject to which the landlord is prepared to give his consent, the tenant may apply to the Tribunal for approval of the carrying out of the improvement, and the following provisions of this section shall have effect with respect to the application.

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- (4) The Tribunal may approve the carrying out of the improvement, either unconditionally or upon such terms, whether as to reduction of the compensation which would be payable if the Tribunal approved unconditionally or as to other matters, as appear to them to be just, or may withhold their approval.
- (5) If the Tribunal grant their approval, the landlord may, within the prescribed period from receiving notification of the Tribunal's decision, serve notice in writing on the Tribunal and the tenant that the landlord proposes himself to carry out the improvement.
- (6) Where the Tribunal grant their approval, then if—
  - (a) no notice is duly served by the landlord under subsection (5) above, or
  - (b) such a notice is duly served, but on an application made by the tenant the Tribunal determines that the landlord has failed to carry out the improvement within a reasonable time,
 the approval of the Tribunal shall have effect for the purposes of subsection (1) above as if it were the consent of the landlord, and any terms subject to which the approval was given shall have effect as if they were contained in an agreement in writing between the landlord and the tenant.
- (7) In subsection (5) above, " the prescribed period " means the period prescribed by the Lord Chancellor by order.

## **68 Improvements: special cases**

- (1) The tenant of an agricultural holding shall not be entitled to compensation for a relevant improvement specified in paragraph 1 of Schedule 8 to this Act unless, not later than one month before the improvement was begun, he gave notice in writing to the landlord of his intention to carry out the improvement.
- (2) Where, on an application of the sub-tenant of an agricultural holding, the Tribunal have directed the immediate landlord of the sub-tenant to carry out work under section 11 above being work which constitutes an improvement specified in Schedule 7 to this Act—
  - (a) section 67 above shall not apply as respects a claim by the immediate landlord against his superior landlord for compensation in respect of that work, and
  - (b) if, on the failure of the immediate landlord to comply with the direction of the Tribunal, the sub-tenant has himself carried out the work, sections 64 and 66 above shall have effect for the purposes of a claim for compensation by the immediate landlord against his superior landlord as if the work had been carried out by the immediate landlord and as if any grant made to the sub-tenant in respect of the work out of money provided by Parliament had been made to the immediate landlord.
- (3) Where the tenant of an agricultural holding has carried out on the holding an improvement specified in Schedule 7 to this Act in accordance with provision for the making of the improvement and for the tenant's being responsible for doing the work in a hill farming land improvement scheme approved under section 1 of the Hill Farming Act 1946, being provision included in the scheme at the instance or with the consent of the landlord—
  - (a) the landlord shall be deemed to have consented as mentioned in subsection (1) of section 67 above,

- (b) any agreement as to compensation or otherwise made between the landlord and the tenant in relation to the improvement shall have effect as if it had been such an agreement on terms as is mentioned in subsection (2) of that section, and
  - (c) the provisions of subsections (5) and (6) of that section as to the carrying out of improvements by the landlord shall not apply.
- (4) In assessing the amount of any compensation payable under custom or agreement to the tenant of an agricultural holding, if it is shown to the satisfaction of the person assessing the compensation that the cultivations in respect of which the compensation is claimed were wholly or in part the result of or incidental to work in respect of the cost of which an improvement grant has been paid under section 1 of the Hill Farming Act 1946, the amount of the grant shall be taken into account as if it had been a benefit allowed to the tenant in consideration of his executing the cultivations and the compensation shall be reduced to such extent as that person considers appropriate.
- (5) Where the tenant of an agricultural holding claims compensation in respect of works carried out in compliance with an improvement notice served, or an undertaking accepted, under Part VII of the Housing Act 1985 or Part VIII of the Housing Act 1974—
- (a) section 67 above shall not apply as respects the works, and
  - (b) if a person other than the tenant has contributed to the cost of carrying out the works, compensation in respect of the works as assessed under section 66 above shall be reduced proportionately.

## **69 Improvements: successive tenancies**

- (1) Where the tenant of an agricultural holding has remained in the holding during two or more tenancies, he shall not be deprived of his right to compensation under this Act in respect of relevant improvements by reason only that the improvements were made during a tenancy other than the one at the termination of which he quits the holding.
- (2) Where, on entering into occupation of an agricultural holding, the tenant—
- (a) with the consent in writing of his landlord paid to an outgoing tenant any compensation payable by the landlord under or in pursuance of this Act (or the Agricultural Holdings Act 1948 or Part III of the Agriculture Act 1947) in respect of the whole or part of a relevant improvement, or
  - (b) has paid to the landlord the amount of any such compensation payable to an outgoing tenant,
- the tenant shall be entitled, on quitting the holding, to claim compensation in respect of the improvement or part in the same manner, if at all, as the outgoing tenant would have been entitled if the outgoing tenant had remained tenant of the holding and quit it at the time at which the tenant quits it.
- (3) Where, in a case not falling within subsection (2) above, the tenant, on entering into occupation of an agricultural holding, paid to his landlord any amount in respect of the whole or part of a relevant improvement, he shall, subject to any agreement in writing between the landlord and the tenant, be entitled on quitting the holding to claim compensation in respect of the improvement or part in the same manner, if at all, as he would have been entitled if he had been tenant of the holding at the time when the improvement was carried out and the improvement or part had been carried out by him.

*Compensation to tenant for adoption of special system of farming*

**70 Compensation for special system of farming**

- (1) Where the tenant of an agricultural holding shows that, by the continuous adoption of a system of farming which has been more beneficial to the holding—
  - (a) than the system of farming required by the contract of tenancy, or
  - (b) in so far as no system of farming is so required, than the system of farming normally practised on comparable agricultural holdings,
 the value of the holding as a holding has been increased during the tenancy, having regard to the character and situation of the holding and the average requirements of tenants reasonably skilled in husbandry, the tenant shall be entitled, on quitting the holding on the termination of the tenancy, to obtain from the landlord compensation of an amount equal to the increase.
- (2) Compensation shall not be recoverable under this section unless—
  - (a) the tenant has, not later than one month before the termination of the tenancy, given to the landlord notice in writing of his intention to claim compensation under this section, and
  - (b) a record has been made under section 22 above of the condition of the fixed equipment on the holding and of the general condition of the holding.
- (3) Compensation shall not be recoverable under this section in respect of any matter arising before the date of the making of the record referred to in subsection (2) above or, if more than one such record has been made, the first of them.
- (4) In assessing the value of an agricultural holding for the purposes of this section due allowance shall be made for any compensation agreed or awarded to be paid to the tenant for an improvement falling within section 64(1) or (4) above or (subject to paragraph 8 of Schedule 12 to this Act) for any such matter as is specified in Part II of Schedule 8 to this Act, being an improvement or matter which has caused, or contributed to, the benefit.
- (5) Nothing in this section shall entitle a tenant to recover for an improvement falling within section 64(1) or (4) above or an improvement to which the provisions of this Act relating to market gardens apply or (subject to the said paragraph 8) for any such matter as is specified in Part II of Schedule 8 to this Act, any compensation which he is not entitled to recover apart from this section.

*Compensation to landlord for deterioration of holding*

**71 Compensation for deterioration of particular parts of holding**

- (1) The landlord of an agricultural holding shall be entitled to recover from a tenant of the holding, on the tenant's quitting the holding on the termination of the tenancy, compensation in respect of the dilapidation or deterioration of, or damage to, any part of the holding or anything in or on the holding caused by non-fulfilment by the tenant of his responsibilities to farm in accordance with the rules of good husbandry.
- (2) Subject to subsection (5) below, the amount of the compensation payable under subsection (1) above shall be the cost, as at the date of the tenant's quitting the holding, of making good the dilapidation, deterioration or damage.



- (3) Notwithstanding anything in this Act, the landlord may, in lieu of claiming compensation under subsection (1) above, claim compensation in respect of matters specified in that subsection under and in accordance with a written contract of tenancy.
- (4) Where the landlord claims compensation in accordance with subsection (3) above—
  - (a) compensation shall be so claimed only on the tenant's quitting the holding on the termination of the tenancy, and
  - (b) compensation shall not be claimed in respect of any one holding both under such a contract as is mentioned in that subsection and under subsection (1) above ;and for the purposes of paragraph (b) above any claim under section 9(1) above shall be disregarded.
- (5) The amount of the compensation payable under subsection (1) above, or in accordance with subsection (3) above, shall in no case exceed the amount (if any) by which the value of the landlord's reversion in the holding is diminished owing to the dilapidation, deterioration or damage in question.

## **72 Compensation for general deterioration of holding**

- (1) This section applies where, on the quitting of an agricultural holding by the tenant on the termination of the tenancy, the landlord shows that the value of the holding generally has been reduced by reason of any such dilapidation, deterioration or damage as is mentioned in section 71(1) above or otherwise by non-fulfilment by the tenant of his responsibilities to farm in accordance with the rules of good husbandry.
- (2) Where this section applies, the landlord shall be entitled to recover 'from the tenant compensation for the matter in question, in so far as the landlord is not compensated for it under subsection (1), or in accordance with subsection (3), of section 71 above.
- (3) The amount of the compensation payable under this section shall be equal to the decrease attributable to the matter in question in the value of the holding as a holding, having regard to the character and situation of the holding and the average requirements of tenants reasonably skilled in husbandry.
- (4) Compensation shall not be recoverable under this section unless the landlord has, not later than one month before the termination of the tenancy, given notice in writing to the tenant of his intention to claim such compensation.

## **73 Deterioration of holding: successive tenancies**

—Where the tenant of an agricultural holding has remained on the holding during two or more tenancies his landlord shall not be deprived of his right to compensation under section 71 or 72 above in respect of any dilapidation, deterioration or damage by reason only that the tenancy during which an act or omission occurred which in whole or in part caused the dilapidation, deterioration or damage was a tenancy other than the tenancy at the termination of which the tenant quits the holding.

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*Supplementary provisions with respect to compensation*

**74 Termination of tenancy of part of holding**

- (1) Where the landlord of an agricultural holding resumes possession of part of the holding by virtue of section 31 or 43(2) above, the provisions of this Act with respect to compensation shall apply to that part of the holding as if it were a separate holding which the tenant had quitted in consequence of a notice to quit.
- (2) Where the landlord of an agricultural holding resumes possession of part of the holding in pursuance of a provision in that behalf contained in the contract of tenancy—
  - (a) the provisions of this Act with respect to compensation shall apply to that part of the holding as if it were a separate holding which the tenant had quitted in consequence of a notice to quit, but
  - (b) the arbitrator in assessing the amount of compensation payable to the tenant, except the amount of compensation under section 60(2)(6) above, shall take into consideration any benefit or relief allowed to the tenant under the contract of tenancy in respect of the land possession of which is resumed by the landlord.
- (3) Where a person entitled to a severed part of the reversionary estate in an agricultural holding resumes possession of part of the holding by virtue of a notice to quit that part given to the tenant by virtue of section 140 of the Law of Property Act 1925 the provisions of this Act with respect to compensation shall apply to that part of the holding as if—
  - (a) it were a separate holding which the tenant had quitted in consequence of the notice to quit, and
  - (b) the person resuming possession were the landlord of that separate holding.
- (4) References in this Act to the termination of the tenancy of, or (as the case may be) of part of, an agricultural holding include references to the resumption of possession of part of an agricultural holding in circumstances within subsection (1), (2) or (3) above.

**75 Compensation where reversionary estate in holding is severed**

- (1) Where the reversionary estate in an agricultural holding is for the time being vested in more than one person in several parts, the tenant shall be entitled, on quitting the entire holding, to require that any compensation payable to him under this Act shall be determined as if the reversionary estate were not so severed.
- (2) Where subsection (1) above applies, the arbitrator shall, where necessary, apportion the amount awarded between the persons who for the purposes of this Act together constitute the landlord of the holding, and any additional costs of the award caused by the apportionment shall be directed by the arbitrator to be paid by those persons in such proportions as he shall determine.

**76 Restrictions on compensation for things done in compliance with this Act**

- (1) Notwithstanding anything in this Act or any custom or agreement—
  - (a) no compensation shall be payable to the tenant of an agricultural holding in respect of anything done in pursuance of an order under section 14(4) above,
  - (b) in assessing compensation to an outgoing tenant of an agricultural holding where land has been ploughed up in pursuance of a direction under that

section, the value per hectare of any tenant's pasture comprised in the holding shall be taken not to exceed the average value per hectare of the whole of the tenant's pasture comprised in the holding on the termination of the tenancy.

- (2) In subsection (1) above " tenant's pasture " means pasture laid down at the expense of the tenant or paid for by the tenant on entering on the holding.
- (3) The tenant of an agricultural holding shall not be entitled to any compensation for a relevant improvement specified in Part I of Schedule 8 to this Act or (subject to paragraph 8 of Schedule 12 to this Act) for any such matter as is specified in Part II of Schedule 8 if it is an improvement or matter made or effected for the purposes of section 15(4) above.

#### **77 No compensation under custom for improvement or tenant-right matter**

- (1) A landlord or tenant of an agricultural holding shall not be entitled under custom to any compensation from the other for any improvement, whether or not one in respect of the carrying out of which compensation is provided under this Act, or (subject to paragraph 8 of Schedule 12 to this Act) for any matter specified in Part II of Schedule 8 to this Act or otherwise.
- (2) Subsection (1) above shall not apply to compensation for an improvement of a kind specified in Schedule 7 or Part I of Schedule 8 to this Act begun before 1st March 1948.

#### **78 Extent to which compensation recoverable under agreements**

- (1) Save as expressly provided in this Act, in any case for which apart from this section the provisions of this Act provide for compensation, a tenant or landlord shall be entitled to compensation in accordance with those provisions and not otherwise, and shall be so entitled notwithstanding any agreement to the contrary.
- (2) Where the landlord and tenant of an agricultural holding enter into an agreement in writing for any such variation of the terms of the contract of tenancy as could be made by direction or order under section 14 above, the agreement may provide for the exclusion of compensation in the same manner as under section 76(1) above.
- (3) Nothing in the provisions of this Act, apart from this section, shall be construed as disentitling a tenant or landlord to compensation in any case for which the said provisions do not provide for compensation, but (subject to paragraph 8 of Schedule 12 to this Act) a claim for compensation in any such case shall not be enforceable except under an agreement in writing.