

Full repairing and insuring (FRI) lease and internal repairing and insuring (IRI) lease

Heads of terms are a summary of main terms agreed between a Landlord and Tenant in relation to the use of the premises and the Landlord and Tenant relationship. More often than not, heads of terms will set out (amongst other terms) the responsibility of the Landlord and Tenant in relation to the maintenance, insurance and repair of the premises. It is crucial the heads of terms accurately reflect the responsibility of the Landlord and Tenant as to their repair, maintenance and insurance obligations.

As to what is agreed, is often down to negotiation between the parties and is therefore what terms will be reflected in the lease. A lease can often be referred to as a full repairing and insuring lease (often abbreviated to a FRI lease). This means a Tenant is obligated under the terms of the lease to be responsible for repairing the whole premises including the structure, and will involve all aspects of maintenance and repair for the premises.

It is common for a single let building to be let on a full repairing and insuring lease whereas premises let in a multi let building may be let on an internal repairing and insuring basis. Notwithstanding this, premises let in a multi let building can also be let on a FRI basis. If this is the case, although the Landlord may be responsible for repairing and maintaining etc. the structure of the building in which the premises are located, the Landlord can of course recover the costs of maintaining and repairing the structure of the premises, from the Tenant through a service charge. If premises are let on an internal repairing and insuring lease (often abbreviated to IRI lease), this tends to mean the Tenant is responsible for repairing the internal parts of the premises only.

In the majority of commercial lettings, a Landlord is likely to arrange the building insurance and will recover the cost from the Tenant. For single standalone commercial premises, the entire cost is likely to be recoverable from the Tenant, however for premises let in multi-let building, the Tenant is likely to be responsible for a proportion of the building insurance. Depending on the terms agreed, the Tenant's proportion of the building insurance can be referred to in the lease as a 'fair proportion' or alternatively a specific percentage of the costs of the building insurance can be specified. Despite the heads of terms agreed, it is ultimately the provisions of the lease entered into between the Landlord and Tenant which will prevail. It is important the lease accurately reflects the terms agreed between the parties and our commercial property team can assist with all aspects of commercial leases.

If you require assistance with commercial leases, please contact a member of our commercial property team.
