

**NLC**National
Leasehold
Campaign

Trustees of the Leasehold Knowledge Partnership

Leasehold
Knowledge
Partnership

THE LEASEHOLDERS CHARITY



Why RIGHT TO MANAGE and how it could help?

If you are the long leaseholder of a block of flats you should consider the Right to Manage (RTM). With a few small exceptions the Commonhold and Leasehold Reform Act (2002) gives most leaseholders the right to manage their own building providing they have the support of over 50% of the leaseholders and providing not more than 25% of the block is occupied by commercial units.

RTM transfers responsibility for running the site from the landlord to the RTM company set up and run by the leaseholders. The RTM company can then decide how they manage the site. In the vast majority of cases, the RTM will appoint their own managing agent to do the work.

RTM can be a relatively simple process. The system is a "no fault" right so leaseholders do not have to prove previous mismanagement. A formal notice is served on the freeholder and after a set period of time management responsibility transfers from the freeholder to the leaseholders' RTM company. Sometimes a landlord will resist the RTM in which case the matter may need to go to the Tribunal for a decision.

Many managing agents will help you organise an RTM and make sure you complete all the relevant paperwork correctly in exchange for a one year contract if the RTM is awarded. Alternatively, you can pay a solicitor or one of the specialist RTM facilitators who charge a fee.

An RTM helps provide leaseholders with the best value for money on their service charges.



www.nationalleaseholdcampaign.org
www.leaseholdknowledgepartnership.com

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The Leasehold Knowledge Partnership (LKP) exists to protect ordinary leaseholders who get caught up in the leasehold game. Most don't know the rules, and yet they are up against professionals for whom this form of tenure can be highly profitable.

LKP is a charity that is run and managed by leasehold experts, Sebastian O'Kelly and Martin Boyd. LKP who are Secretariat for the All Party Parliamentary Group (APPG) on Leasehold and Commonhold Reform. It is now one of the largest APPGs in Parliament and has been instrumental in calling for leasehold reform.

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The National Leasehold Campaign (NLC) on Facebook was formed to challenge that unfairness.

The NLC works closely with the Leasehold Knowledge Partnership and are trustees of the charity.

The NLC have over 17,400 members and growing daily. There are several stories and reports of leasehold abuse everyday.



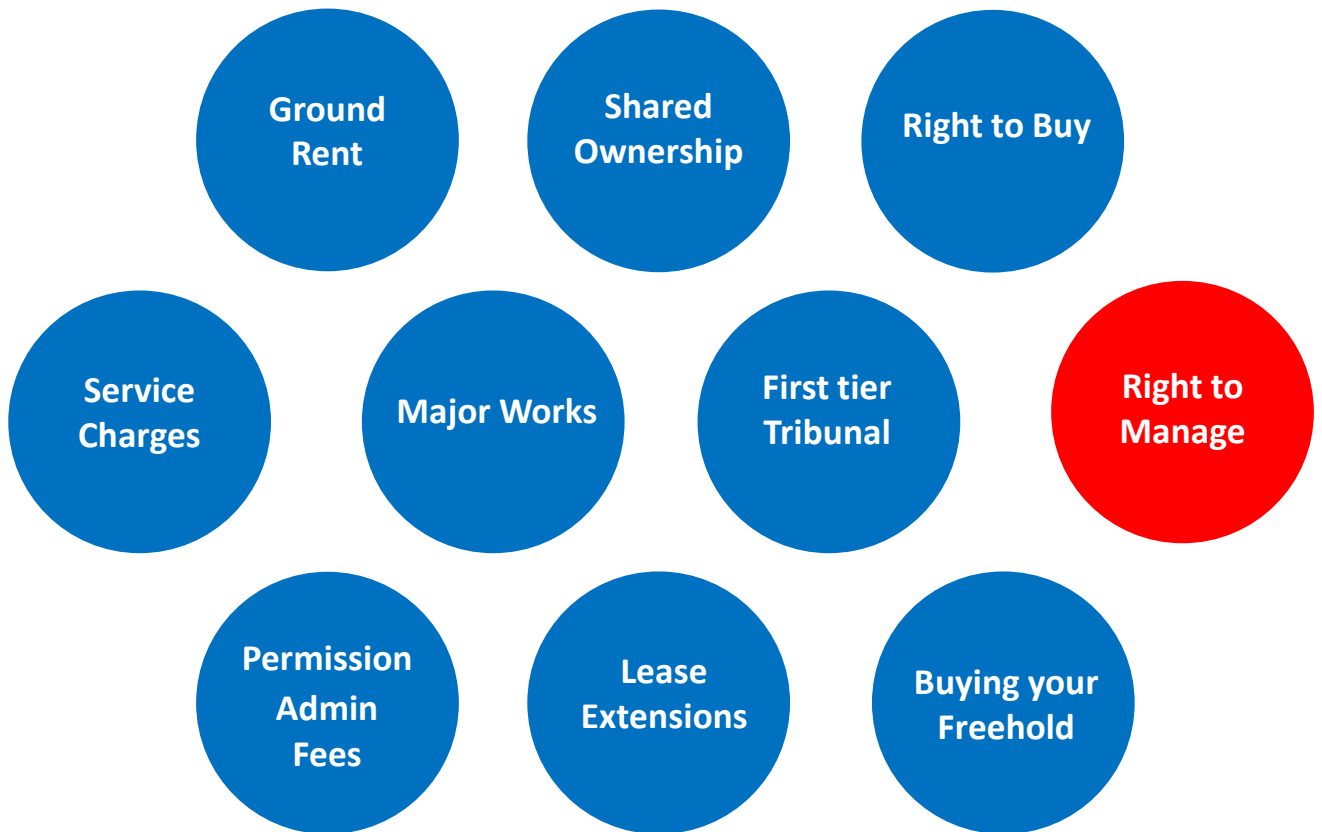
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Leasehold problems are vast



Leaseholders maybe blissfully unaware of all the problems they could face ahead. Sadly it is only a matter of time before they may need to address them. NLC and LKP raise awareness of all the many leasehold issues and help and support our members. We want you to be aware and armed with knowledge to help you understand current complex landlord and tenant legislation.

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The NLC called for an inquiry and gave evidence at the Select Committee Inquiry where the committee found this:

“As we will go on to outline in this report, too often leaseholders, particularly in new-build properties, have been treated by developers, freeholders and managing agents, not as homeowners or customers, but as a source of steady profit. The balance of power in existing leases, legislation and public policy is too heavily weighted against leaseholders, and this must change. Our report sets out various recommendations for how this might happen.”

SOURCE -

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1468/1468.pdf>

Professor Nick Hopkins, Law Commission said...

“Looking at the landscape of leasehold legislation I would have to say it is not fit for purpose as it is.”

SOURCE -

<https://www.insidehousing.co.uk/news/leasehold-does-not-need-major-reform-lenders-tell-mps-59771>





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What NLC members say...

**"They completely
ignored leaseholders objections"**

"My annual service charge is £6500"

**"I was charged £42k for major works. After RTM we
discovered the sub-contractors invoice that proved we
were overcharged. There was nothing we could do.
The law didn't help"**

**"Extortion is what I think about when I
receive my annual charge"**

**"The management company increased
my service charge by 100%"**

**"Attending a first tier tribunal for excessive
fees, lack of actual maintenance and
blatant avoidance of jobs"**

**"When we first bought our flat the
service charges were £500 per year, now
its £2,400"**



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Ask yourself these questions

1. What happens if you are served a service charge demand for **Major Works known as a section 20** ?

- Maybe its fine. Maybe the works are necessary.
 - Will you get transparency?
 - What is the scope of works? Will you have a right to question?
 - Will you need to rally with neighbours and write your observations?
 - Will you have to source contractors and get alternative quotes?
- Of course, regardless of what you do, you maybe ignored as you have no control. What **IS** definite is that at the end of the section 20 you might have **30 days** to pay the sums in full, commit to a payment plan or get taken to court. You will not escape a section 20. **The more the block is managed poorly, the more likely it will be to receive further s20s. It is only a matter of time.**

2. So what happens if **YOUR** personal bill is for thousands of pounds?

- You may ask yourself, whether the sums demanded are reasonable?
 - Whether they are proportionate costs for the works?
 - What if you feel you need to challenge?
- You would have to gather all leaseholders, hold several meetings, organise emails, source, instruct and pay an expert surveyor to help provide evidence. You may need to apply to a tribunal to challenge, or your freeholder may take leaseholders to a tribunal. Either way it can be an expensive, timely exercise, and you may not win. Freeholders/ managing agents often instruct expensive lawyers and barristers to defend themselves. Leases generally say that the freeholders costs are recoverable. **Win or lose, are you willing to take the risk and pay the freeholders legal fees through your service charge?**

3. **Fact** - As per your lease you are liable to pay the service charges and insurance premium.

NLC members report that **these often escalate**. You may have noticed that already. **Costs are uncapped**. The only way for consumer redress is to challenge at the tribunal or to have management control. Even if you do challenge successfully at the tribunal, there is nothing to stop the managing agent from charging excessively again the following year. NLC have members who have attended the tribunal several times. It can be never-ending.

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4. So what if you want to challenge? You will need full transparency of information. Do you feel that your **managing agent is being transparent?**

NLC members report that it is common that there is a lack of transparency. So how will you challenge effectively? What if you are ignored when requesting information? Sometimes leaseholders are left with no choice but to ask for full disclosure at the First tier Tribunal. This may take several letters back and forth as well as a cost of £350 to apply to the tribunal. **This process takes a lot of time and can take months out of your life.** You will also need to spend time creating a bundle of evidence coordinating all relevant correspondence across all leaseholders for your case. **Of course, you may not win and you would also have a record of disputes.**

5. What happens when the **managing agent delays your sales pack** when you try to sell?

When this happens buyers drop out. If it happens more than once your property may be seen as a problem to future buyers. **There's nothing you can do about it either unless you're in control.** Flats with RTM are more attractive on resale compared to those with a freeholder appointed managing agent.

6. Does your managing agent or freeholder **value your concerns?**

The answer is - **why would they.** The law is weighted to their advantage and there really isn't much you can do about it. Did you know that despite concerns of unhappy, trapped leaseholders, Government's response was to ask developers to honour a 'pledge' to 'do the right thing'. Be assured that the 'pledge' did not help leaseholders. Concerns have now escalated to the Competition and Markets Authority (CMA) who also reported serious concerns within the leasehold sector. It has taken several years of hard work to get this result.



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Finally and most importantly - ask yourselves this...

Who is going to be more invested in doing the right thing for residents? A profit making company or the residents themselves? Sure, having a single entity might make things easier, but for who? Easier for the profit making managing agent who has no accountability?

Without RTM you have little to no mechanism to hold them to account. The developer most likely lost interest as soon as your mortgage cleared into their account. The issues raised are typical for leaseholders and especially new builds without resident control but can be remedied via an RTM.

Yes. RTM may take a little work and is not perfect. However the work invested would be 100% constructive and far less work than chasing answers to the example scenarios previously noted. You may think, it won't happen to you and your block.... Well we urge you to do your research. The leasehold business model is all about making profits from the leaseholder. The NLC and LKP would rather you didn't wait to see if that happens as it may be too late. As they say, prevention is always better than the cure.

A good property manager would be the key to success of your block. They will oversee the problems and take on the issues following standards and regulations. The difference is that if you need to query anything, you can.

So why wouldn't you take control? A well run block is far better than one that isn't. It is far easier working together with a managing agent rather than one working against you.

Knowledge is power. Please visit our websites for further information.

www.nationalleaseholdcampaign.org

www.leaseholdknowledgepartnership.com

LKP have vetted and accredited a list of property managers. Please see link:

<https://www.leaseholdknowledge.com/lkp-list-of-approved-managing-agents-and-developers/>



We highly recommend that leaseholders listen to leasehold expert Louie Burns from Leasehold Solutions on – how to challenge your service charges podcast featuring leading legal leasehold experts.

<https://podcasts.apple.com/gb/podcast/louie-burns-podcast/id1508616625>



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Casestudy 1

I have a two bed flat. For the first six years I was happy. Then the freehold was sold onto another freeholder. Suddenly my bills soared to this:

FEBRUARY	£1,945.16	Service charges
JULY	£1,137.52	Service charges
JULY	£7,062.93	Major works
JANUARY	£981.55	Service charges
APRIL	£29,740.90	Major works
JULY	£981.55	Service charges
NOVEMBER	£3,316.53	Major works
JANUARY	£961.03	Service charges
MAY	£1,680.00	Management fee for major works
JUNE	£297.41	Processing fee
MARCH	£600.00	Fee for sales pack
JULY	£961.03	Service charges
JANUARY	£866.25	Service charges
JANUARY	£144.35	Admin fees
MARCH	£1,358.37	Interest fees
JULY	£137.48	Admin fees
JULY	£866.25	Service charges
JANUARY	£880.18	Service charges
JANUARY	£420.00	Fee for another sales pack
JULY	£880.18	Service charges
TOTAL	£55,218.67	

£55,000 in three years! I attended a tribunal four times. We realised that Landlord and Tenant legislation is extremely complicated and that our freeholder hired specialist barristers against us lay people. We ended up paying tens of thousands of pounds in legal fees. We only won once for excessive insurance premiums, and that case took nine months of legal letters going back and forth. I was being charged £935 pa for insurance alone. The freeholders block insurance was £13,500 for the year but our quotes were around £7,000.

Overall the various challenges and work took six years of my life. It was a full time job and exhausting. Two years after the costs listed above, we faced yet another ambiguous s20. This time we challenged to delay it. Thankfully, I found a lot of useful information and encouragement from the Leasehold Knowledge Partnership. Our block grouped together, and 99% of the block agreed to apply for RTM.

We got our RTM in 6 months.

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We investigated the previous works and sure enough we discovered an original sub-contractors invoice for £21,500 but we were charged £75,000. We told our freeholder this but the costs charged were not negotiated down. The freeholder simply threatened us with forfeiture. We didn't get any help from any other housing body or 'lease' organisation either. We just didn't have the money to carry on challenging in court.

In any case we had to move on with the RTM. We have six directors. We opted to continue paying about the same service charge fees as before but with the reduced price for the insurance. It has now been over two years and we are happy with our managing agent. It is refreshing when we can now praise them for the work they do for us rather than complaining. We have savings in our reserve fund too. Unfortunately the previous property manager used up all of our service charges each year and we found that they were not keeping the block up to standards following regulations. So our new found reserve fund will have to go towards rectifying all the years of neglect.

No one in our block sold a flat since 2016. Buyers were aware of the service charges and the high bills. The previous managing agent delayed our sales packs and I was charged £600 for one. Seven sales were lost in our block as a result. However we are pleased that in 2020 one flat finally sold. At last we can get on with our lives. Our regret was that we didn't act sooner. I would highly recommend to grab the opportunity of RTM. The work involved is not nearly as much as the work it took through all the challenges over six years.



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**Advising leaseholders.
Avoiding disasters.
Stopping forfeiture.
Exposing abuses.
Urging reform**



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