



The  
Property  
Institute

## ADVICE NOTE

# SERVICE CHARGE RIGHTS

A summary for leaseholders



## CONTENTS

<b>Summary</b>	<b>3</b>
<b>What protection do leaseholders currently have?</b>	<b>3</b>
<b>Is there a limit to how much landlords can charge lessees?</b>	<b>3</b>
<b>What can leaseholders do if they feel the work done on their property is unnecessary or unsatisfactory?</b>	<b>3</b>
<b>How can people find out if they are being charged fairly?</b>	<b>3</b>
<b>Do leaseholders get a say on major works carried out on their property?</b>	<b>3</b>
<b>Other protections for leaseholders</b>	<b>3</b>
<b>What's TPI's focus relating to service charge?</b>	<b>4</b>
<b>Regulation of managing agents</b>	<b>4</b>
<b>Finish the job of fixing unsafe buildings</b>	<b>4</b>

## NOTE

As the leading trade body for residential leasehold management, TPI is also an important resource for leaseholders. Our Advice Notes cover a range of topics on the leasehold system to help leaseholders understand their rights and responsibilities and ultimately get the most out of living in their flat.

## SUMMARY

Leaseholders have important protections under Landlord and Tenant legislation and landlords are required to serve a summary of those rights when issuing service charge demands. Leaseholders can challenge unreasonable charges; challenge poor or unnecessary workmanship; and have the right to be consulted about major works and long-term agreements.

As the principal professional membership body for managing agents, TPI plays an important role in educating and informing leaseholders about their rights and responsibilities. We publish leaseholder advice notes specifically on the leasehold system changes in legislation and information to support resident ran management companies. We have enhanced our website accessibility to make information readily available to leaseholders.

This paper summarises leaseholders' rights in relation to service charges; explains what leaseholders can do to challenge them; and sets out changes being made by TPI to improve the lives of leaseholders living in managed blocks.

### What protection do leaseholders currently have?

#### Is there a limit to how much landlords can charge lessees?

Yes, there are limits to how much landlords can charge leaseholders, particularly in the context of service charges. Leaseholders are given protection under Section 19 of the Landlord and Tenant Act 1985. This rules that service charges are only payable to the landlord to the extent that they are reasonable and directly related to the service provided. If a leaseholder feels the amount they are paying is unreasonable, they have the right to challenge them and seek redress through the First-tier Tribunal (Property Chamber) in England or the Leasehold Valuation tribunal in Wales LVT. Service charges may increase from time to time along with inflation or with increased management demands of the building, but any increase in service charge payments instigated by the landlord must also be reasonable.

#### What can leaseholders do if they feel the work done on their property is unnecessary or unsatisfactory?

Leaseholders may be concerned about the quality of the work being carried out on their building. Section 19 offers protection: service charges are only payable for the provision of services or works that are of a reasonable standard. If leaseholders are unsatisfied with the level of service they are getting for their service charge payments, they should initially communicate with the Landlord expressing concerns with specific details and examples to support your concerns. You should request documentation regarding the scope of the work. If this does not satisfy your concern you should raise a formal complaint. In extreme cases of poor quality or unnecessary work you have the right to take their landlord to a Tribunal. The Tribunal can make a determination.

If leaseholders feel that work being carried out on their building is unnecessary, they should look to review their lease initially. The terms of the lease agreement will set out the landlords obligations

regarding property maintenance and improvements. If you are unable to resolve the matter directly with the Landlord they also have the right to take their landlord to the Tribunal under S.27a of the Landlord and Tenant Act 1985. This right will help them to determine whether or not the cost of the disputed works is in fact payable.

#### How can people find out if they are being charged fairly?

Ensuring that you are being charged fairly involves a combination of understanding the obligations set out in your lease and reviewing documentation.

Initially, read your lease to understand the terms of how the service charge is calculated. It is within the lease you can verify what services are covered, how charges are calculated and any caps.

Under Section 21 (Landlord & Tenant Act 1985) leaseholders have the right to ask their landlord (usually via the managing agent) to supply a summary of relevant costs making up the service charges for the last accounting period. This is an important right for leaseholders if they feel they are being charged too much or for items that are not recoverable. Importantly, they can go further under Section 22 which gives leaseholders the right to inspect any receipts or invoices that support the figures obtained under a Section 21 request.

If available, you should research and compare service charges with similar properties in the local area.

#### Do leaseholders get a say on major works carried out on their property?

Yes, leaseholders have the right to be consulted and have a say on major works carried out on their property. Under Section 20 of the Landlord and Tenant Act 1985, landlords must consult with the leaseholders if: they are proposing works that will cost any one leaseholder over £250; or £100 if they propose to enter into a long-term agreement with a contractor for a period of more than 12 months. The first stage of the Section 20 consultation, referred to as a Notice of Intention, is a formal notice which will include the scope of the works and, importantly, allows leaseholders to put forward their own preferred contractor or supplier. Leaseholders have the right to review the proposed works and provide comments during the consultation periods. The landlord is required to have due regard to the leaseholders' comments and provide responses.

Further guidance on Section 20 consultation is available to download from the advice page on the TPI website: [www.tpi.org.uk](http://www.tpi.org.uk)

If leaseholders are dissatisfied with the proposed major works or the consultation process, they may have the right to challenge the decisions through legal means or dispute resolution mechanisms.

It's important for leaseholders to actively engage in the consultation process, ask questions, and seek clarification on any aspects of the proposed major works. This involvement helps ensure that decisions are fair, transparent, and take into account the interests of all leaseholders in the property.

#### Other protections for leaseholders

- A residents' association can be formed which gives leaseholders added power as it allows them to maximize their rights under the terms of their lease. This will also put them in a

strong position in the event of disputes with landlords, who will also be obliged to consult with them on management issues, the appointment and performance of the managing agent and service charge issues.

- Leaseholders can also get together to buy the freehold of their own block and form a Resident Management Company, effectively becoming their own landlord. This is known as collective enfranchisement.
- The 'Right to Manage' can be an important way of empowering leaseholders who are unhappy with the way their landlord is managing their block. RTM effectively allows leaseholders to take control without having to prove mismanagement on the part of the landlord. But exercising RTM is not a decision that should be taken lightly.

### What's TPI's focus relating to service charge?

#### Regulation of managing agents

TPI works with governments to review reforms to improve the leasehold systems. TPI submitted written evidence to the Public Bill Committee in relation to the Renters Reform Bill committee stage, making a robust case for the introduction of statutory regulation and mandatory qualifications.

Following the introduction of the Leasehold and Freehold Reform Bill on 27 November 2023, TPI have welcomed the proposals for greater transparency on leaseholder service charges and making the case for the Bill to go further and introduce statutory regulation and mandatory qualifications.

Whilst TPI continues to lobby for statutory regulation of managing agents, TPI was founded to promote the highest standards of leasehold management and already places regulatory requirements on its own members. To become a member, companies must satisfy a number of stringent entry criteria including:

- that the company has been trading and managing successfully as a managing agent in residential long leasehold management;

- providing up to date accountants' reports (annually) showing they are holding clients' monies in trust (under Section 42 of the Landlord and Tenant Act 1987);
- having relevant Professional Indemnity insurance;
- agreeing to abide by the TPI Consumer Charter and Standards which promotes the highest level of standards;
- TPI members undergo an audit check within a three-year cycle. The overall aim of the audit is to provide an assurance to TPI, its members, clients and leaseholders that accredited members of TPI are complying with the TPI Consumer Charter and Standards.

TPI works to raise standards of management by providing advice, training and guidance to its member firms as well as producing advice notes for leaseholders and Resident Management Companies.

All TPI members must also have a published robust in-house complaints procedure that must be made available on request. TPI members must also belong to a recognised independent redress scheme so leaseholders who are not satisfied with the outcome of their initial complaint can get independent redress at no cost. A full list of TPI members, searchable by region, can be viewed on the TPI.

#### Finish the job of fixing unsafe buildings

TPI have raised with the DLUHC Building Safety officials with two high-level areas of concern around building safety, proposing changes be introduced through the Leasehold and Freehold Reform Bill.

TPI are working tirelessly to ensure that any legislation is sufficient to keep residents safe and prevent unnecessary costs and delays.

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#### Note:

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The TPI Advisory Note is of a general nature only and makes no attempt to state or conform to legal requirements; compliance with these must be the individual user's own responsibility and therefore it may be appropriate to seek independent advice.