In the FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Tribunal Case Reference	:	**LON/00AY/LSC/2021/0337**
Property	:	**Apartment 902, 155 Wandsworth Road, London SW8 2FW**
Applicants	:	**Vasilii Kochetov** **Anna Zakharova**
First Respondent	:	**Southern Housing (formerly Optivo)**
Second Respondent	:	**Strawberry Star London Ltd**
Representative	:	**Womble Bond Dickinson (UK) LLP**
Type of Application	:	**Payability of service charges**
Tribunal	:	**Judge Nicol** **Mr O Dowty MRICS**
Date and venue of Hearing	:	**24th & 25th May 2023** **10 Alfred Place, London WC1E 7LR**
Date of Decision	:	**13th July 2023**

DECISION

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(1) The name of the First Respondent has changed from Optivo to Southern Housing and the title of this case has been amended accordingly.

(2) The service charges claimed by the Second Respondent from the First Respondent in relation to the Applicants for the four years 2019 to 2023 inclusive are reasonable and payable save as to the following items:

(a) The costs of cleaning for 2019 are not reasonable to the extent that they exceed £73,000;
(b) The charge arising from the management fee from 2020 onwards must be reduced by £50 per year; and
(c) The Second Respondent conceded that the Applicants should receive a credit of £6.05 in relation to the charge for office telephone.

(3) The Tribunal grants orders under section 20C of the Landlord and Tenant Act 1985 and paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 that the First Respondent may not add any of their costs of the Tribunal proceedings to the Applicants' service charges or bill them direct to the Applicants.

(4) The Tribunal grants an order under section 20C of the Landlord and Tenant Act 1985 that the Respondents may not regard 25% of the Second Respondent's costs of these proceedings as relevant costs to be taken into account in determining the amount of any service charge payable by the Applicants.

(5) The Tribunal further grants an order under section 20C of the Landlord and Tenant Act 1985 that the Second Respondent may not regard any of their costs of these proceedings as relevant costs in determining the amount of service charge payable by the First Respondent save to the extent permitted above.

Relevant legal provisions are set out in the Appendix to this decision.

Reasons

1. The Applicants hold a shared ownership lease of a flat on the ninth floor of a 36-storey block. The first 7 storeys of the block contain commercial units. Floors 9 to 34 contain residential units. There are gardens on the 1st, 8th and 35th floors, as well as a gym on the 8th floor. The development, known as Vauxhall Sky Gardens, also includes an 8-storey block of social housing, known as Wyvil but referred to in the service charge accounts as the "HA Block", and a car park area.

2. The First Respondent holds a head lease of the Applicants' flat (and similar head leases for 5 neighbouring flats) and is the Applicants' immediate landlord. The Second Respondent is the freeholder of the development and is the First Respondent's landlord.

3. The Applicants' original challenge was only against the First Respondent for wrongly apportioning the service charges. In fact, nearly all the service charges arise from expenditure undertaken by the Second Respondent. At a preliminary hearing held on 8th August 2022, the First Respondent conceded that they had been passing on these charges incorrectly. The Second Respondent had followed their obligations under the head lease and apportioned the charges by floor area whereas the First Respondent had just divided all the service

charges for their 6 flats equally between them, irrespective of size. The First Respondent has made the necessary adjustments to the Applicants' account so that this element of the dispute has now been dealt with.

4. However, the Tribunal explained in their decision of 9th August 2022 that the Applicants remained dissatisfied with their service charges for the period from 2018 to 2023. The Second Respondent was added as a party to the proceedings so that the Applicants' further complaints could be addressed.

5. The Tribunal heard the case on 24th & 25th May 2023. The attendees were:

- The Applicants;
- For the First Respondent:
  - Mr John Beresford, counsel;
  - Ms Emery, Head of Service Charges;
- For the Second Respondent:
  - Ms Nicola Muir, counsel;
  - Mr Ash Alam, Area Development Manager; and
  - Mr Darren Logan, Head of Estates.

6. The documents before the Tribunal consisted of:

- Two bundles in electronic form, prepared by the Applicants, of 549 and 414 pages respectively;
- A skeleton argument from Mr Beresford; and
- A skeleton argument and a chronology from Ms Muir.

7. The Applicants' case has changed considerably from its original conception as a challenge to the First Respondent's method of apportionment. The Applicants produced a fresh statement of case which ran to 12 pages of close-typed submissions divided into 15 headings and containing the Applicants' calculations of their service charges in a number of tables. The Second Respondent objected that the statement was difficult to follow and caused them problems in identifying what documents might be relevant for disclosure. The Tribunal has some sympathy with this and has made due allowances.

8. However, the Applicants have been without legal advice or representation and have tried their best to set out their case. Moreover, there are some documents which it would have been helpful for the Second Respondent to have provided and in respect of which the Tribunal struggles to understand why the Second Respondent did not see them as relevant. The Applicants' issues are dealt with in turn below and, where relevant, the absence of documents is addressed.

9. In his skeleton argument, Mr Beresford queried whether the Second Respondent had demanded the right amounts but the two Respondents

resolved any apparent mathematical discrepancies during breaks in the hearing and this issue was not pursued further.

Surplus refund

10. The Applicants identified that there was a surplus on the service charge accounts for 2020 and 2021. They expected to see that reflected as a separate payment back into their service charge account but have yet to do so.

11. The Tribunal explained that standard management practice, encapsulated in their lease, was for their landlord to collect advance service charges based on estimates and then to debit or credit the service charge account when the actual expenditure was known in due course. This had happened in the past and the Tribunal had no reason to believe it would not be done in each subsequent year. Recent accounts were late in the sense that, although draft accounts were circulated, they were not finalised until much later which may be why due credits have yet to appear. In any event, the Second Respondent is well aware of their obligation in this respect. The Tribunal therefore had no reason to make a determination on this issue and the Applicants did not press it.

Cleaning

12. The Applicants' statement of case gave a number of objections to the service charges which related to cleaning:

    a. They alleged inconsistency in the apportionment of the cleaning costs between the different parts of the development.
    b. The actual amounts incurred in relation to the residential part of the main block from 2018 to 2021 were unreasonably high. The Second Respondent took this to be part of the apportionment objection but it is clear that the Applicants objected to the actual amounts as well.
    c. The Applicants alleged that the quality of cleaning was poor.

13. Mr Logan explained that there was a single cleaning contract for the development (except for the HA Block which is not managed by them). There was a basic contractual charge, with further charges for additional cleaning. The total charge for the year was then split between the different parts of the development in accordance with the hours spent cleaning each part.

14. It would have been helpful for the Tribunal to have seen the cleaning contract, the contractors' invoices and any other documents setting out how the apportionment was carried out. The Applicants wanted to see the invoices but did not specifically ask for them. However, it should have been obvious to the Second Respondent that these documents should be disclosed. On their understanding, these documents wouldn't have been determinative of the main issue of apportionment but, even on that basis, they would have helped both the Applicants and the

Tribunal to understand how the cleaning services were managed and the service charges calculated.

15. The largest cleaning charge to the residential part of the block came in 2019, namely £110,573. For that year the charge to the commercial part was £37,655. In the following year, 2020, the respective charges were £31,492 and £94,111.

16. The Second Respondent's explanation for this large variation was as follows. The head lease required the Second Respondent to calculate the charge to the residential part of the block by first deducting from the total cleaning charge the cost referable to the commercial part. In 2019, a number of the commercial units had yet to be let and so the cleaning costs for that part were relatively small in that year. Therefore, the balance to be charged to the residential part was most of the total cleaning charge for that year.

17. The Tribunal is not satisfied with the Second Respondent's purported explanation. The only reason put forward as to why the total charge for 2019 should have been higher than any other year, namely £188,752, is that there were probably more lessees moving in that year than any other and the process of moving in would generate some additional cleaning work. There was no evidence that this was an issue but, even if it were, it is difficult to envisage that the impact would have been significant, let alone a complete explanation.

18. The Applicants alleged that the cleaning charge for the following year would have been lower as cleaners would not attend during the COVID pandemic. However, the Second Respondent specifically eschewed this as a reason for why the 2020 charges were lower than for 2019, asserting that the higher cleaning standards required to address COVID actually resulted in higher charges.

19. The Tribunal accepts that the cost of cleaning the commercial part of the block would have been less in 2019 on the basis that some of the units were vacant. However, this is only an explanation for why the charge to the commercial areas would have been less, not for why the charge to the residential areas would have been more. There is no reason to think that the residential lessees were provided with more or better services in 2019 compared with other years. Whatever mechanism the lease requires for calculating them, section 19 of the Landlord and Tenant Act 1985 provides that service charges must be reasonably incurred. It is not reasonable to charge lessees a much higher price for the same service just because a third party is not paying a larger contribution.

20. The Second Respondent has had an opportunity to explain why the cleaning charge to the residential part of the block was so high in 2019 but failed to provide a satisfactory explanation. Therefore, the Tribunal has decided that the charge was not reasonably incurred. The next question is how much a reasonable charge would be.

21. The Applicants argued that it should be £31,500 each year on the basis that the charge for 2020 was roughly that. However, it can be seen from the accounts, summarised in the Applicants' statement of case, that the charge in 2020 was exceptionally low compared with other years. The actual charges for 2018 and 2021 were £65,031 and £48,792 respectively. The budgeted figures for 2022 and 2023 are £72,992 and £76,406 (although the Applicants also query why these figures are as high as they are).

22. On the basis of the available information, the Tribunal has concluded that the costs for the cleaning in 2019 would not be reasonable to the extent that they exceeded £73,000.

23. In relation to the standard of the cleaning, the Applicants pointed out that they had complained about it several times. In reply, Ms Muir pointed out that these amounted, in 5 years, to two complaints about a lack of hoovering outside their flat and two complaints about a failure to clean the gym after repair works as quickly as they wanted.

24. The question for the Tribunal is not whether the cleaning service reached a particular standard or always met a particular job specification but whether the charge is reasonable in the light of the service delivered. The evidence of the Applicants' complaints show the Second Respondent as reasonably quick to respond and effective in dealing with the issue, given that there were no follow-up complaints. The Tribunal is not satisfied that the Applicants have made out a case that the cleaning was inadequate such as to render the resulting service charge unreasonable to any extent.

Gym Equipment

25. The gym on the 8th floor was equipped initially under a 5-year lease with Motiv8. When it expired, the Second Respondent obtained two quotes but went with a further 5-year agreement with Motiv8 in November 2022.

26. The Applicants calculated the cost of the first lease as around £238,000 but the second one at around £86,000. The latter contract provides that the Second Respondent will get to keep the equipment at the end of the contract period whereas the first did not. The Applicants had a number of objections to the charges:

    (a) They queried why they should have paid so much more for the first contract which provided less than the second.
    (b) They argued that the Second Respondent could have kept the original equipment rather than re-equipping the gym at further expense.
    (c) They asserted that employees from the commercial units made use of the gym and so the commercial tenants should contribute to the cost.

27. The Applicants wanted to see the first lease and asked for it in their queries which they had been directed to ask by the Tribunal (at item number 38). In their response, the Second Respondent asserted that it

"will not be shared". No reason was given. This is unacceptable. One party asked for disclosure of a relevant document from the other party. It should have been disclosed. The Applicants have been denied the opportunity to explore the nature of the charge made for the gym equipment or to see whether the terms would have allowed the equipment to be retained on the expiry of the lease.

28. Nevertheless, the Tribunal has to assess the reasonableness of the charges on the available evidence. In the accounts, the cost of the equipment lease and the costs of repairing and maintaining the equipment have been charged on an annual basis. The agents until January 2020, Allsops, had put this into one sum in the accounts but the Second Respondent broke it down into several parts. The total figure has been coming down over the years:

- 2018 £44,856
- 2019 £73,077
- 2020 £33,411
- 2021 £29,980
- 2022 £28,750
- 2023 (budget) £26,417 (under the new contract)

29. The first lease was a qualifying long term agreement which was tendered for and consulted on in accordance with the statutory requirements. The Second Respondent appears to have obtained a better deal in relation to the second contract but, by itself, that does not mean that the first one was unreasonable. Given that the lease was market-tested, the Applicants would need some evidence to show that it was not reasonable at the time it was entered in to. However, the Applicants provided no alternative quotes or other evidence to that effect. It is unlikely that the disclosure of the lease would have helped them to make their case.

30. It is understandable why the Applicants would object to employees of the commercial units making use of the gym because they have no right to do so. However, the commercial leases do not provide for the lessees to make any contribution to the upkeep of the gym. There is no evidence that any of the employers in question knew about, let alone condoned, their employees' actions or how frequently this happened.

31. Although the commercial and residential units share one of the access lifts, the Second Respondent believes they have done as much as reasonably possible to limit access between the commercial and residential areas. They accept that some get through – apparently there have been complaints that residents or their visitors access the communal toilets in the commercial area. However, it is unlikely that greater enforcement of the separation of the commercial and residential areas would be worth the cost.

Management Fee

32. The Second Respondent charges a management fee which equates to around £400 per unit. The Applicants sought a refund of 75% on the basis of multiple failures of service. In particular, they raised the issue of communication. As well as the matter considered in paragraph 26 above, they pointed to the following examples:

(a) On 8th February 2019, the Applicants complained by email to the Second Respondent about noise pollution from the gym and garden on the floor immediately below their flat. The Second Respondent replied on 11th February 2019 that they had passed their comments to the First Respondent and that all complaints should be escalated through them. This makes no sense. The gym and garden are on land entirely owned and controlled by the Second Respondent. The First Respondent has no interest in, let alone any power to stop what goes on in those areas. Ms Muir sought to justify this approach by alleging that the Applicants made so many complaints that her clients didn't want to deal with them and wanted the First Respondent as their landlord to do it instead but it is difficult to see how this is an excuse, particularly for professional managing agents. Ms Muir also pointed out that, despite what they said, they did agree to the First Respondent's request to meet and sought to address the noise pollution.

(b) In the same email, the Second Respondent alleged that the Applicants were guilty of anti-social behaviour, including aggressively shouting at gym users, the concierge and other staff, which was caught on CCTV. The Second Applicant admitted turning off power to speakers which were causing a nuisance but denied any other behaviour which could be regarded as anti-social. The alleged CCTV footage was never produced and the Second Respondent did not pursue the allegations.

(c) By email dated 17th June 2019 the Applicants again raised the issue of noise pollution and again the Second Respondent sought to palm them off to the First Respondent.

(d) By email dated 4th May 2020, the Applicants asked to see a copy of the head lease. Somewhat mystifyingly, the Second Respondent refused on the basis that it was a "confidential document".

(e) Then, when the Applicants sought copies of building policy documents which the Second Respondent would hold and be responsible for, they again asked the Applicants to divert future correspondence to the First Respondent.

(f) When the Applicants asked for their complaints procedure so that they could make a formal complaint in the same way as they had done previously with the First Respondent, the Second Respondent failed to do so until eventually summarising it briefly in an email. In response to a question from Judge Nicol, the Second Respondent admitted not advertising their complaints procedure on their website.

(g) In their statement of case, the Applicants asked the Second Respondent to produce the invoices for gardening work but none were forthcoming.

33. It was telling that, in an outburst from behind counsel, Mr Alam said that the Second Respondent can't provide documents whenever a resident asks for them because they are too busy.

34. The First Respondent is the head lessee for 6 flats out of the more than 200 in a large block. The block is really the Second Respondent's. They manage it, including the communal facilities such as the gardens and the gym. They arrange the services and incur the expenditure which ends up in the lessees' service charges. They are the principal, if not sole, source of relevant documents and have sole responsibility for what happens in the communal areas.

35. It is entirely reasonable for the Applicants to expect the Second Respondent to answer their queries about the service charges and the use of the gardens and gym. The fact that they do not have a direct contractual relationship is irrelevant. In practical terms, it is the Applicants who pay the Second Respondent's management fee and they are entitled to expect a professional service in response. As Ms Muir pointed out, the Second Respondent deserves credit for responding to the Applicants' correspondence promptly but that doesn't help if the substance of the response is to tell them to talk to someone else.

36. The Tribunal is satisfied that the Second Respondent carries out most of its management responsibilities satisfactorily but it is a key element of those responsibilities to address the legitimate concerns of service charge payers like the Applicants. The Applicants stated that what they most wanted from these proceedings was increased transparency from the Second Respondent about the service charges. The Tribunal understands this and shares their concerns about what appears to be a consistent refusal on the part of the Second Respondent to provide transparency, whether that be in refusing to provide disclosable documents or in trying to pass on complaints to a third party.

37. In the circumstances, the Tribunal has decided that the Applicants' share of the management fee should be reduced by £50 for each of the four years in which the Second Respondent has managed the building, namely 2020-23, for a total reduction of £200.

Staff Salary and Staff Management Fee

38. The Second Respondent provides:

(a) A building manager based on site from Monday to Friday, 9am-5pm;
(b) A front of house manager who covers the concierge desk for both the residential and commercial parts;
(c) A commercial concierge team member who works daily 10am-4pm;
(d) A part-time weekend concierge who works on the weekend rota 7am-7pm; and
(e) 2 night concierge team members who are based in the residential part and work 4 days each on a rota system, 7pm-7am daily.

39. Despite increasing wages to the London Living Wage and giving a pay rise to the FOH manager to reflect increasing responsibility, the total staff cost fell from £313,179 in 2018 to £268,617 in 2021. The Applicants made their own calculation of what the staff should cost but failed to take into account costs over and above the staff's hourly rates, such as national insurance, pension, training, holiday and sickness cover, and uniforms. There is also a 20% fee for managing the staff but because they are directly employed there is no VAT on contractors' charges.

40. The Applicants complained that they had asked to see invoices without success and Mr Logan conceded they should have been provided. Otherwise, the Applicants had no complaints about the standard of service. They pointed out that the costs should have been lower during the period of the COVID pandemic but, on inspection of the numbers, they were.

41. In the circumstances, the Tribunal could find no basis on which it could be said that the staff costs were unreasonable.

General Repairs and Maintenance

42. The Applicants complained that there was a lack of consistency in the apportionment of the costs of general repairs and maintenance. The Applicants sought to limit the costs in earlier years by reference to the amounts in later years. However, the costs were obscured by the fact that the previous agents, Allsops, lumped this category of expenditure with Switch 2 Maintenance & Repairs, Sprinkler Plant Maintenance and Fire Maintenance, all of which the Second Respondent has separated out for the sake of transparency. The Tribunal is not satisfied that the Applicants identified any basis for thinking that these costs were unreasonable.

Switch 2 Maintenance & Repairs

43. The Applicants wanted to know why the maintenance and repairs for the Switch 2 heating and air conditioning system were originally apportioned as an estate cost but later as a block cost, excluding the car park. The Second Respondent answered that the car park did not benefit from the Switch 2 system and they felt the later split to be fairer. The Applicants didn't have any grounds on which to gainsay this reasoning.

Lifts

44. The block benefits from 5 lifts, two each for the commercial and residential parts with one shared. The Applicants asserted that the costs should be split equally between the commercial and residential parts but the Second Respondent disagreed. Actual costs were assigned depending on which lift required the maintenance or repair. Ms Muir pointed out that the commercial occupiers had limited or no use at night or during the weekend whereas the residential use was 24/7. The

lifts obviously also serve many more residential storeys than it does commercial ones.

45. The cost of the shared lift was borne solely by the residential parts but that was because the shared lift was accessed principally from a different entrance and required fob access so that it was much less used by the occupiers or visitors to the commercial parts. Further, visitors to the commercial parts were sign-posted to the exclusive commercial lifts.

46. Again, the Tribunal was not satisfied that the Applicants had made out any grounds for challenging the reasonableness of the lift costs.

Gardens

47. As already referred to, the block benefits from 3 gardens – the first floor one is for the exclusive use of the commercial tenants and the two upper ones are for the exclusive use of the residential occupiers. The Second Respondent has contracts for maintenance such as cutting, trimming, removal of weeds and watering. There are also funds for replacement plants when required.

48. The Applicants complained that staff from the commercial parts have used the latter two gardens for official functions and they pointed to photos which appear to show that on one occasion. However, this is not a service charge issue since they have no right under their leases to do so, although in correspondence (see email dated 11th February 2019) the Second Respondent claimed the right to grant permission. There is no basis on which the Second Respondent could allocate some of the service charges to the commercial tenants.

49. The Second Respondent again failed to provide copies of the relevant contracts or invoices because they thought the sole issue was apportionment. The Applicants conceded that they had not asked to see them. Again, the Tribunal finds it difficult to understand why the Second Respondent would not see such documents as relevant and so disclosable but, in any event, the Applicants had no alternative quotes or other evidence to back up their assertion that the costs seemed high. There is no evidence that any use by the commercial tenants was sufficient to have had any material impact on the costs of maintaining the gardens. In all the circumstances, the Tribunal is not satisfied that the Applicants made out a case that the gardening costs were in any way unreasonable.

Electricity

50. There is one meter measuring electricity use in the communal areas of the block which is then split between the commercial and residential areas on a square footage basis. The Applicants complained that in some years the electricity had instead been put onto the Estate charge. However, the Tribunal is not satisfied that the different methods of apportionment resulted in an unreasonable charge in respected of

electricity – it is possible to have different methods of apportionment which are all reasonable.

Office Telephone

51. The Applicants objected that the office telephone cost in 2021 seemed to have been put entirely on the block. The Tribunal took a break while Ms Muir took further instructions. On her return, she conceded that the costs should have been allocated to the Estate and this would result in a saving to the Applicants of £6.05.

Sprinkler Plant Maintenance

52. Similar to the electricity charge, the Applicants objected to the Second Respondent altering the method of apportionment of the charges in relation to sprinkler plant maintenance. At the time when the contractor was changed to one that was cheaper, the Second Respondent decided it would be fairer to put this charge on the Estate. While that excluded the car park, it was felt that the minimal use in the car park for the sprinkler plant did not alter their assessment. Again, the Tribunal is not satisfied that the different methods of apportionment resulted in an unreasonable charge.

Window Cleaning

53. Due to the restrictions relating to the COVID pandemic, the Second Respondent did not clean the windows in 2021 and did so only once in 2020, rather than the intended twice a year. The cradle which is supposed to be used for external window cleaning has also been out of action for some time. In any event, the Applicants' principal objection was again to the method of apportionment – the charge was split primarily by the number of floors in each part of the block, with the social housing block cleaning its own windows and making a contribution to communal areas. The Tribunal is not satisfied that the Applicants have any grounds for saying this is unreasonable or that an alternative method should be used. It is notable that Ms Muir calculated that the sum in dispute here was £16 over a 5-year period.

Fire Maintenance

54. The Applicants objected that a fire door near their flat was left in disrepair for a number of years. That is a failure of service and doesn't necessarily mean that the charge is reasonable – for example, in 2021 there was no actual cost incurred for fire door maintenance. There is no reason to doubt that the relevant expenditure was incurred in other years, albeit not in relation to that particular door.

55. Mr Logan explained that fire maintenance costs were allocated by location or otherwise put on the Estate charge. The Applicants objected that, without the invoices, the charging process was not transparent but, otherwise, had no grounds to challenge the reasonableness of this expenditure.

Costs

56. The Applicants sought orders under section 20C of the Act and paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 that the Respondents should not be permitted to add any costs of the Tribunal proceedings to the service charges or bill them direct to the Applicant.

57. Mr Beresford conceded that the First Respondent got the apportionment wrong and would not object to orders for the period up to the date of the preliminary hearing on 8th August 2022. The Tribunal is satisfied that this concession is correct. However, thereafter the First Respondent had little to say because the Applicants' case was entirely against the Second Respondent. Mr Beresford claimed in his skeleton argument that the Second Respondent had mis-calculated the charges but later conceded that that was not the case. In the circumstances, it would not be just or equitable for the Applicants to be liable for sums relating to the First Respondent's costs of the proceedings.

58. In relation to the Second Respondent's costs, it would not be just or equitable in all the circumstances for the First Respondent to bear any part of them. The question is whether it would be just and equitable for the Applicants to bear any of the Second Respondent's costs through the service charges via the First Respondent.

59. The Second Respondent has succeeded on the majority of issues raised by the Applicants. However, on a number of those issues, it is doubtful that the Applicants would have continued their challenges if they had understood them better by seeing the relevant contracts and invoices. As recorded above, the Second Respondent has taken an unjustifiably restrictive approach to when it should engage with the Applicants or provide them with information or documents. In the circumstances, the Tribunal is satisfied that it would not be just or equitable for the Applicants to bear any more than 75% of their share of the Second Respondent's costs through their service charge.

Name: Judge Nicol **Date:** 13th July 2023

Appendix of relevant legislation

Landlord and Tenant Act 1985

Section 18

(1) In the following provisions of this Act "service charge" means an amount payable by a tenant of a dwelling as part of or in addition to the rent -
  (a) which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and
  (b) the whole or part of which varies or may vary according to the relevant costs.

(2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable.

(3) For this purpose -
  (a) "costs" includes overheads, and
  (b) costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.

Section 19

(1) Relevant costs shall be taken into account in determining the amount of a service charge payable for a period -
  (a) only to the extent that they are reasonably incurred, and
  (b) where they are incurred on the provisions of services or the carrying out of works, only if the services or works are of a reasonable standard;

and the amount payable shall be limited accordingly.

(2) Where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable, and after the relevant costs have been incurred any necessary adjustment shall be made by repayment, reduction or subsequent charges or otherwise.

Section 20C

(1) A tenant may make an application for an order that all or any of the costs incurred, or to be incurred, by the landlord in connection with proceedings before a court, residential property tribunal or the Upper Tribunal, or in connection with arbitration proceedings, are not to be regarded as relevant costs to be taken into account in determining the amount of any service charge payable by the tenant or any other person or persons specified in the application.

(2) The application shall be made—
  (a) in the case of court proceedings, to the court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to a county court;
  (aa) in the case of proceedings before a residential property tribunal, to that tribunal;

(b) in the case of proceedings before a residential property tribunal, to the tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to any residential property tribunal;
(c) in the case of proceedings before the Upper Tribunal, to the tribunal;
(d) in the case of arbitration proceedings, to the arbitral tribunal or, if the application is made after the proceedings are concluded, to a county court.

(3) The court or tribunal to which the application is made may make such order on the application as it considers just and equitable in the circumstances.

Section 27A

(1) An application may be made to the appropriate tribunal for a determination whether a service charge is payable and, if it is, as to -
(a) the person by whom it is payable,
(b) the person to whom it is payable,
(c) the amount which is payable,
(d) the date at or by which it is payable, and
(e) the manner in which it is payable.

(2) Subsection (1) applies whether or not any payment has been made.

(3) An application may also be made to the appropriate tribunal for a determination whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any specified description, a service charge would be payable for the costs and, if it would, as to -
(a) the person by whom it would be payable,
(b) the person to whom it would be payable,
(c) the amount which would be payable,
(d) the date at or by which it would be payable, and
(e) the manner in which it would be payable.

(4) No application under subsection (1) or (3) may be made in respect of a matter which -
(a) has been agreed or admitted by the tenant,
(b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the tenant is a party,
(c) has been the subject of determination by a court, or
(d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.

(5) But the tenant is not to be taken to have agreed or admitted any matter by reason only of having made any payment.

Commonhold and Leasehold Reform Act 2002

Schedule 11, paragraph 5A

(1) A tenant of a dwelling in England may apply to the relevant court or tribunal for an order reducing or extinguishing the tenant's liability to pay a particular administration charge in respect of litigation costs.

(2) The relevant court or tribunal may make whatever order on the application it considers to be just and equitable.

(3) In this paragraph—

(a) "litigation costs" means costs incurred, or to be incurred, by the landlord in connection with proceedings of a kind mentioned in the table, and

(b) "the relevant court or tribunal" means the court or tribunal mentioned in the table in relation to those proceedings.

Proceedings to which costs relate	***"The relevant court or tribunal"***
Court proceedings	The court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, the county court
First-tier Tribunal proceedings	The First-tier Tribunal
Upper Tribunal proceedings	The Upper Tribunal
Arbitration proceedings	The arbitral tribunal or, if the application is made after the proceedings are concluded, the county court.