

Summary of individual responses to the housebuilding market study update report and consultation on a market investigation reference

We received 27 responses from individuals to our update report and consultation on a market investigation reference, published on 25 August 2023. An anonymous summary of those responses is provided below.

Transparency of estate management arrangements and charges

Numerous respondents complained about the lack of transparency relating to their obligations and charges as a homeowner.

Some individuals said that during the sales process they were informed that they would be charged a small fee for minor landscaping duties carried out by the management companies, only to find out once they had purchased their property or when they were close to exchanging with the sellers that there was a long list of charges that they were ultimately required to pay.

Some respondents added that the transfer documents did not contain some of these future costs. One was told during the process that the council no longer adopted the green spaces on the estate, and that this would cost over £100, which then rose by nearly two thirds the following year to over £200.

Some individuals indicated that they were not made aware that the developer would be contracting with a management company to manage their estate until late in the process. When they were told about the management company, they were apparently not given sufficient information about the management company itself or that they were unable to remove them.

One respondent expressed concerns about the lack of knowledge of solicitors in the conveyancing process. We also heard that estate management arrangements/implications were downplayed or overlooked by solicitors in the conveyancing process. One respondent said that they had been pressured into buying their property quickly, whilst another said that they were persuaded by the developers to use their solicitors.

Level of estate management charges and potential for future increases

Several individuals alleged that increasingly high fees were unfair. One respondent noted that only homes in one phase of the development have to pay management fees for amenities that are available for wider public use.

One individual highlighted that their costs had increased by 42% with no explanation for the increase, and another respondent said they had received a bill that was almost double the previous year's charge. The bill included heads of expense that had not previously been agreed upon or explained during the house purchase process. Another respondent's bill had increased by over 60% in 2023.

One respondent said that a few months ago the company that was originally doing the work sold the rights to another firm who immediately tripled the cost to householders.

Some respondents highlighted that a significant proportion of fees appeared to derive from management overheads rather than direct maintenance costs, in some cases accounting for most of their costs. One respondent highlighted that their management fees accounted for a third of costs, without the management company providing any detail on what this covered, another indicated that management fees made up over 50% of the total cost of the charges for the estate as a whole.

Quality of estate management services and customer service

Some respondents raised concerns about poor quality of service, or that the charges incurred did not align with the quality of service provided.

One said they had to personally assume maintenance work despite paying fees to the management company to carry this out. We also heard of a household being placed in a position where they have had to pay the management company to put right work that had not been carried out to a satisfactory standard in the first place.

Concerns were also raised around poor customer service, including lack of/delays in communication, and facing barriers when chasing up on enquiries. One individual said that they had submitted a query on apparent financial discrepancies in a management company's annual report, but their question still remained unanswered over a year later.

Practices and arrangements that may impact on onwards sale of a property

Concerns were expressed by some around challenges that they have faced in selling their properties due to estate management arrangements.

One of the main reasons cited by respondents was that management companies have issued residents with management packs in connection with the sale of their property, costing several hundred pounds. According to some respondents, this information was not conveyed to them until the point of sale. There have also been complaints about the length of time it has taken for management companies to provide these packs, which has delayed the sales process and therefore risked the sale of the property.

A couple of respondents noted that they have been put off purchasing properties with high services charges or fees, given their own experiences as residents on privately

managed estates.

Issues with switching estate management companies

Some respondents said that there was a lack of competition because there is no mechanism in place for residents to appoint an alternative management company to that appointed by the developer. One individual told us *'We have no access to competition ie we are locked into one managing agent chosen by our developer.'*

Two respondents noted that, with no competition, companies do not need to operate to a reasonable standard of service.

One respondent said that their management company would enable them to appoint a residents' management company if it received support from 50% of the residents. However, this change did not materialise as residents did not want to take on the responsibility and associated liabilities of running the estate. Another said that their developer had a 999-year contract with their management company.

Sanctions for non-payment

One respondent stated that a generic clause in their contract detailed that if a homeowner defaults in management payments even once, a lease can be created over the house.

Rights to challenge and redress

Some respondents identified the legal challenges in settling a dispute. One individual suggested that taking their management company to the small claims court would be futile, as the management company is not prevented from adding its costs incurred/awarded against it, and any fine imposed, to the resident's bill for the following year. They also noted people are reluctant to pay legal fees.

Another said that payment was not only for eternity but was also uncapped with no means to challenge it.

One respondent stated that many developers name the estate management company on the transfer deed, preventing them from being challenged if they overcharge and do a bad job.

Adoption of amenities

A number of respondents commented on adoption, concerned that certain amenities and communal areas on their estate have not been adopted. Some said that they were initially told that the land and/or amenities would be adopted by the local council, only later to find that they would be paying a private management company to maintain them. One respondent said that not only do the developers and management companies stand to gain from this, but also local councils, who do not take on the liability of maintaining facilities on the estate.

Some individuals said that parts of the estate, such as sewers and public open spaces, have not been built to an adoptable standard or are not maintained properly, and are therefore not being taken on by the local authority.

A small number of respondents held their local authorities accountable, with one claiming that councils are either unaware of the impact of non-adoption on residents and/or failing to accept commuted sums from developers to take on responsibility for the management of some areas.

Some also questioned why they have to pay council tax in full on top of service charges.

Possible solutions

Some respondents requested the government take action by introducing legislation to address their concerns, calling for local councils to be legally forced to adopt all land and areas under the control of private companies pertaining to freehold properties. One respondent suggested that a 'right to manage' will not be sufficient to address issues and that mandatory adoption is needed.

One respondent called for the Landlord and Tenant Act 1985 to be altered and for the protection to be extended to freeholders.

Another called for the repeal of Section 121 of the Law of Property Act 1925 as a minimum, and for regulation to be implemented to protect consumers.

Most respondents did not explicitly call for a market investigation reference, but the three respondents that did mention this were strongly in favour of a market investigation reference.