



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER (RESIDENTIAL
PROPERTY)**

Case reference : **LON/00AW/LDC/2024/0158**

Property : **27 Cadogan Place London SW1X 9SA**

Applicant : **27 Cadogan Place RTM Company Limited**

Representative : **Saphire Property Management**

Respondents : **The leaseholders named on the schedule attached to the application.**

Representative : **N/A**

Type of application : **To dispense with the requirement to consult lessees about a QLTA**

Tribunal members : **Judge H Carr**

Venue : **10 Alfred Place, London WC1E 7LR**

Date of decision : **12th August 2024**

DECISION

Decision of the tribunal

1. The Tribunal determines to exercise its discretion to dispense with the consultation requirements provided by s.20 of the Landlord and Tenant Act 1985.

The application

2. Lee Penny of Sapphire Property Management applied on behalf of the Applicant on 18th June 2024 under s.20ZA of the Landlord and Tenant Act 1985, for dispensation from the consultation requirements provided for by section 20 of the Landlord and Tenant Act 1985.
3. The application indicated that the subject of the dispensation application was a management agreement with Sapphire Management entered into on 21st September 2022 for a period of 12 months, continuing on a rolling monthly basis. It was subsequently realised that the agreement could be construed as a QLTA and a new contract was issued.
4. In the application it was explained that the reason that dispensation was sought in connection with the potential QLTA because arrears relating to one of the units cannot be collected until the dispensation application is determined.

Procedure

5. The Tribunal held a case management review of this matter on 26th June 2024 and issued directions on the same date.
6. In those directions the Tribunal determined that the matter be determined on the basis of the papers provided during the week commencing 29th July 2024 or as soon as possible thereafter.
7. The directions gave an opportunity for the Respondents to request a hearing. No hearing was requested so the matter has proceeded based on the papers provided for the tribunal.
8. The directions also provided an opportunity for the Respondent to provide a statement objecting to the application. The Respondent objected to the application and provided a statement in support.

Determination

The background

9. The property is a Victorian house which has been converted into six flats. The Applicant is the RTM Company.

10. The evidence and submissions of the Applicant is as follows:

- (i) The application is for an unconditional retrospective dispensation of part of the consultation requirements prescribed under s.20 of the Landlord and Tenant Act 1985 in relation to an agreement for management services between the Applicant and Sapphire Property Management Ltd.
- (ii) The Applicant says that when it entered into the 12-month management contract on 21st September 2022 neither party was aware that the contract could be construed as a QLTA by virtue of its ability to continue as a rolling monthly contract.
- (iii) The Applicant does not believe that the Respondents have been disadvantaged as the fee and contract was competitive and agreed by the RTM at the time of its formation and with the RTM having 5 out of 6 members in support of the RTM formation.
- (iv) The Applicant provides an email from TD Monk dated 12th November 2021 explaining the process of selecting the new managing agents. This says the Applicant is indicative of extensive informal consultation.
- (v) Once the contract had been identified as a potential QLTA a new contract was issued. That contract is dated 7th March 2024 and is for a period of three months.
- (vi) The Applicant seeks dispensation to enable the RTM to continue with its collection of Service Charges arrears for a period that predates and postdates the period that dispensation is being sought.
- (vii) The Applicant submits that no lessees have been prejudiced from the process that has been followed:
 - (a) the extent of the contract is that of a standard management agent contract, with a company accredited by the Leasehold Knowledge Partnership.
 - (b) The functions are in line with standard industry practice.

- (c) The quality of the work has not been affected - the contract itself states that Sapphire Property Management adheres to the RICS Service Charge Residential Management Code, and that the RICS Code prevails in the case of any doubt in the contract.
 - (d) The cost of the work is competitive and was at the lower end of the range of quotes received from the tender put out in August 2021.
- 11. The only response from the leaseholders was from Mr Monk in his capacity as leaseholder stating that he had no objections to the application.

The Law

- 12. The Tribunal is being asked to exercise its discretion under s.20ZA of the Act. The wording of s.20ZA is significant. Subs (1) provides

‘Where an application is made to a leasehold valuation tribunal for a determination to dispense with all or any of the consultation requirements in relation to any qualifying works or qualifying long term agreements, the tribunal may make the determination **if satisfied that it is reasonable to dispense with the requirements**’ (emphasis added).
- 13. The Supreme Court in the case of *Daejan Investments Ltd v Benson* [2013] UKSC 14 (Daejan) is the leading authority on how the statutory provisions are to be interpreted.

The tribunal’s decision

- 14. The tribunal determines to grant the application.

Reasons for the tribunal’s decision

- 15. The statement from the Applicant is persuasive and coherent.
- 16. There have been no objections received from the leaseholders.
- 17. It is difficult to see what prejudice that the leaseholders have suffered because of failure to consult on the management agreement.
- 18. The Tribunal therefore determines that it is reasonable to grant the application sought.

- 19. Both parties should note that this determination does not concern the issue of whether the service charge costs demanded in connection with the management fees are reasonable or indeed payable. The Respondent is able, if it appears to him to be appropriate, to make an application under s.27A of the Landlord and Tenant Act 1985 as to reasonableness and payability.**

Name: Judge Carr

Date: 12th August 2024

Rights of appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made to the First-tier Tribunal at the regional office which has been dealing with the case.

The application for permission to appeal must arrive at the regional office within 28 days after the tribunal sends written reasons for the decision to the person making the application.

If the application is not made within the 28 day time limit, such application must include a request for an extension of time and the reason for not complying with the 28 day time limit; the tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).

Appendix of relevant legislation

Landlord and Tenant Act 1985 (as amended)

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 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.

Section 20

- (1) Where this section applies to any qualifying works or qualifying long term agreement, the relevant contributions of tenants are limited in accordance with subsection (6) or (7) (or both) unless the consultation requirements have been either—
 - (a) complied with in relation to the works or agreement, or
 - (b) dispensed with in relation to the works or agreement by (or on appeal from) the appropriate tribunal .
- (2) In this section “relevant contribution”, in relation to a tenant and any works or agreement, is the amount which he may be required under the terms of his lease to contribute (by the payment of service charges) to relevant costs incurred on carrying out the works or under the agreement.
- (3) This section applies to qualifying works if relevant costs incurred on carrying out the works exceed an appropriate amount.
- (4) The Secretary of State may by regulations provide that this section applies to a qualifying long term agreement—

- (a) if relevant costs incurred under the agreement exceed an appropriate amount, or
 - (b) if relevant costs incurred under the agreement during a period prescribed by the regulations exceed an appropriate amount.
- (5) An appropriate amount is an amount set by regulations made by the Secretary of State; and the regulations may make provision for either or both of the following to be an appropriate amount—
- (a) an amount prescribed by, or determined in accordance with, the regulations, and
 - (b) an amount which results in the relevant contribution of any one or more tenants being an amount prescribed by, or determined in accordance with, the regulations.
- (6) Where an appropriate amount is set by virtue of paragraph (a) of subsection (5), the amount of the relevant costs incurred on carrying out the works or under the agreement which may be taken into account in determining the relevant contributions of tenants is limited to the appropriate amount.
- (7) Where an appropriate amount is set by virtue of paragraph (b) of that subsection, the amount of the relevant contribution of the tenant, or each of the tenants, whose relevant contribution would otherwise exceed the amount prescribed by, or determined in accordance with, the regulations is limited to the amount so prescribed or determined.]

Section 20B

- (1) If any of the relevant costs taken into account in determining the amount of any service charge were incurred more than 18 months before a demand for payment of the service charge is served on the tenant, then (subject to subsection (2)), the tenant shall not be liable to pay so much of the service charge as reflects the costs so incurred.
- (2) Subsection (1) shall not apply if, within the period of 18 months beginning with the date when the relevant costs in question were incurred, the tenant was notified in writing that those costs had been incurred and that he would subsequently be required under the terms of his lease to contribute to them by the payment of a service charge.

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.

Commonhold and Leasehold Reform Act 2002

Schedule 11, paragraph 1

- (1) In this Part of this Schedule “administration charge” means an amount payable by a tenant of a dwelling as part of or in addition to the rent which is payable, directly or indirectly—
 - (a) for or in connection with the grant of approvals under his lease, or applications for such approvals,
 - (b) for or in connection with the provision of information or documents by or on behalf of the landlord or a person who is party to his lease otherwise than as landlord or tenant,
 - (c) in respect of a failure by the tenant to make a payment by the due date to the landlord or a person who is party to his lease otherwise than as landlord or tenant, or
 - (d) in connection with a breach (or alleged breach) of a covenant or condition in his lease.
- (2) But an amount payable by the tenant of a dwelling the rent of which is registered under Part 4 of the Rent Act 1977 (c. 42) is not an administration charge, unless the amount registered is entered as a variable amount in pursuance of section 71(4) of that Act.

- (3) In this Part of this Schedule “variable administration charge” means an administration charge payable by a tenant which is neither—
 - (a) specified in his lease, nor
 - (b) calculated in accordance with a formula specified in his lease.
- (4) An order amending sub-paragraph (1) may be made by the appropriate national authority.

Schedule 11, paragraph 2

A variable administration charge is payable only to the extent that the amount of the charge is reasonable.

Schedule 11, paragraph 5

- (1) An application may be made to the appropriate tribunal for a determination whether an administration 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) Sub-paragraph (1) applies whether or not any payment has been made.
- (3) The jurisdiction conferred on the appropriate tribunal in respect of any matter by virtue of sub-paragraph (1) is in addition to any jurisdiction of a court in respect of the matter.
- (4) No application under sub-paragraph (1) 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.
- (6) An agreement by the tenant of a dwelling (other than a post-dispute arbitration agreement) is void in so far as it purports to provide for a determination—
 - (a) in a particular manner, or

(b) on particular evidence,
of any question which may be the subject matter of an application
under sub-paragraph (1).