



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

Case reference : **LON/00AH/LSC/2023/0422**

Property : **9A and 9B Crowther Road, London,
SE25 5QW**

Applicants : **Annie Dillon
Monica Martin**

Representative : **In person**

Respondent : **Seamoat Ltd**

Representative : **John Galliers, BLR Property
Management Limited**

Type of application : **For the determination of the liability to
pay service charges under section 27A of
the Landlord and Tenant Act 1985**

Tribunal members : **Judge Bernadette MacQueen
Mr Andrew Lewicki, FRICS**

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

Date of hearing : **2 July 2024**

Date of Decision : **10 September 2024**

DECISION

- (1) The Tribunal determined that the insurance premium and management fee for the Property in respect of the service charge years September 2017 until September 2024 were not reasonable. The Tribunal substituted the amounts as set out in this Decision.
- (2) The Tribunal made the determinations as set out under the various headings in this Decision.
- (3) The Tribunal made an order under section 20C of the Landlord and Tenant Act 1985 so that none of the landlord's costs of the Tribunal proceedings may be passed to the lessees through any service charge and an order under paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 extinguishing any liability to pay an administration charge in respect of litigation costs in relation to the proceedings.
- (4) The Tribunal determined that the Respondent shall within 28 days of this Decision reimburse the Applicants of the Tribunal fees that the Applicants paid.

The Application

1. The Applicants sought a determination pursuant to s.27A of the Landlord and Tenant Act 1985 ("the 1985 Act") as to the amount of service charges payable by the Applicants in respect of the service charge years September 2017 to September 2024. The issues in dispute were the reasonableness of the insurance premium and management fee for that period.

The Hearing

2. The Applicants appeared in person at the hearing. The Respondent was represented by John Galliers, Director of BLR Property Management Limited, who were appointed by the Respondent as the managing agents for the Property.
3. The Tribunal was provided with a bundle that consisted of 42 pages and included comparable insurance quotes. The Respondent provided a statement in reply to the application.
4. Neither party requested an inspection of the Property and the Tribunal did not consider that one was necessary, nor would it have been proportionate to the issues in dispute.

The Background

5. The Property which was the subject of this application was a building constructed around the 1900's that comprised two maisonette flats at ground floor (9A) and first floor (9B) level. The only common part was an external forecourt which was approximately 9 square metres at the front of the Property.
6. The Respondent was the landlord of the Property and had appointed BLR Property Management as their managing agent.

The Lease

7. The Applicants held long leases of the Property which required the landlord to provide services and the tenants to contribute towards their costs by way of a variable service charge.
8. The lease for 9A was dated 29 April 1976 and made between Invincible Properties Ltd and John Burke and Loretta Maria Burke for a term of 120 years from 25 December 1975. The lease for 9B was dated 28 September 1976 and made between Invincible Properties Ltd and Richard Mark Unwin and Primrose Mary Unwin for a term of 120 years from 25 December 1975. Both leases contained the following clause at 4(7) namely that:

“The Lessee hereby covenants with the Lessor in manner following that is to say:-

.....

(7) At all times during the said term when called upon to do so to pay and contribute a rateable or due proportion of the expenses incurred by the Lessor in the management of the Mansion and of the expenses of the Lessor or the owner or lessee of the upper maisonette in respect of making repairing maintaining painting supporting rebuilding and cleaning all passageways pathways sewers drains pipes watercourses water pipes cisterns gutters party walls party structures easements appurtenances and other part of the Mansion (other than those for which the lessee is responsible hereunder), used or capable of being used by the Lessee in common with the Lessor or the owner or Lessee of the upper maisonette, or the Lessor or Owner or Lessee of the premises near to or adjoining the premises hereby demised, or of which the premises hereby demised form part, including the insurance premium payable by the Lessor in accordance with Clause 6(e) hereof, any such proportions in the case of difference to be settled by the surveyor for the time being of the Lessor, whose decision shall be binding and to keep the Lessor indemnified against all costs and expenses aforesaid”

The Issues

9. At the start of the hearing the parties identified that the relevant issues for determination were the reasonableness of service charges for years September 2017 until September 2024 relating to the insurance premium and management fee for the Property.
10. The Tribunal considered the submissions regarding insurance and management fee and then made a determination for each service charge year in question.

Insurance

11. It was agreed by both parties that the insurance provided for the Property was part of a block policy. It was also agreed that no insurance claim had been made during the relevant period that related to the Property.
12. The Applicants told the Tribunal that the policy was excessive as it assumed the Property was part of a large block with a lift. The Applicants stated that the policy provided employee liability cover, significant cover for common parts and landlord indemnity. The Applicants submitted that this was inappropriate cover for the Property given it comprised two flats with only a small external forecourt.
13. The Applicants provided the Tribunal with comparable insurance quotations for the years September 2019, 2021, and 2023, which were obtained on a like for like basis. These comparable quotations were significantly lower than the amount the Applicants were being charged. In particular, for the service charge year 2019 the landlord's insurance was provided by Covea at a cost of £3,402.39, whereas the Applicants' like for like quote from Covea was £2,253.21. For the service charge year 2021 the landlord's insurance charge from Ageas was £3,158.31, whereas the most expensive quote the Applicants obtained was £1,772.14. Equally for 2023 the landlord's insurance premium was £3,725.40, whereas the comparative quote was £1,392.92. Copies of the comparative quotes obtained by the Applicants were included within the bundle at pages 3 to 24. This information can be summarised as follows:

Date	Landlord Insurance Premium charged for the Property	Comparative quote obtained by Applicant
Sept 2017/18	£1,990.79 (Covea)	

Sept 2018/19	£2,117.70 (Covea)	
Sept 2019/20	£3,403.39 (Covea)	£2,253.21(Covea) £978.88(Allianz) £935.44 (Ageas)
Sept 2020/21	£3,618.82 (Ageas)	
Sept 2021/22	£3,158.31 (Ageas)	£1,223.94(Axa) £1392.92 (Allianz) £1,772.14 (Aviva)
Sept 2022/23	£3,333.09 (Covea)	
Sept 2023/24	£3,715.40	£1,392.92 (Allianz)
Sept 2024/25	To be assessed	

14. Mr Galliers on behalf of the Respondent told the Tribunal that in 2018, 2020 and 2022 their insurance broker tested the market and therefore the amounts charged were reasonable. Further, he submitted that the quotations obtained by the Applicants were lower as they were not based on a portfolio policy.
15. The Respondent further stated that it was not feasible to obtain separate quotations and policies for every property, and because the policy was a block policy it could not be customised. The price was based on the portfolio as a whole which gave the advantage that the risk was spread across the portfolio. Therefore, if there was a large claim at the Property, this would not result in a large increase in the premium.
16. The Respondent told the Tribunal that they were unable to confirm the indexation sum from 2009, but the current sum insured for 2023 was £869,301.00.
17. Mr Galliers confirmed that a 15% commission on the net insurance premium was received by BLR, but he confirmed that they completed work so that the insurance could be offered at a lower price in order to justify the commission.

The Tribunal's Decision

18. The Tribunal found that the insurance premiums were not reasonable. In particular, the Tribunal found that the sum insured was excessive and that the insurance cover provided by the Respondent as part of their block policy was unsuitable for the Property. The Tribunal noted in particular the lack of common parts and the fact that the Property contained only two flats. The block policy therefore resulted in the Property being over-insured and an excessively high premium charged. The Applicants were being charged a management fee and it would therefore have been incumbent upon the Respondent to ensure that the insurance obtained for the Property was suitable.
19. The Tribunal accepted that the quotations obtained by the Applicant showed that the insurance charged by the Respondent was excessive. The comparative quotes provided a basis upon which reasonable insurance premiums could be calculated.
20. The Tribunal calculated what would be reasonable by taking the average of the three quotes obtained for the period September 2019/20 (£1,389.14) and then reducing this figure by 5% to give the September 2018/19 total (£1,319.68). To arrive at the September 2017/18 figure, the September 2018/19 figure was reduced by 5% (£1,253.70). To reach the September 2020/21 figure the 2019/20 figure was increased by 5%. For September 2021/22 as only one quote was available, the Tribunal increased the amount by 5% rather than relying on the quote. For September 2022/23 the comparative quote was used and finally for September 2023/24, 5% was added to the September 2022/23 figure.
21. The Tribunal therefore substituted the following insurance premium amounts:

Date	Insurance Premium amount for the Property	Amount per flat (50% split)
Sept 2017/18	£1,253.70	£626.85
Sept 2018/19	£1,319.68	£659.84
Sept 2019/20	£1,389.14	£694.57

Sept 2020/21	£1,458.60	£729.30
Sept 2021/22	£1,463.00	£731.50
Sept 2022/23	£1,536.15	£768.08
Sept 2023/24	£1,612.96	£806.48
Sept 2024/25	£1,693.61	£846.81

Management Fee

22. It was agreed by both parties that the only duties that BLR Property Services performed as managing agents for the Respondent at the Property was dealing with insurance and charging and collecting the ground rent and service charges.
23. The Applicants stated that the management fee was excessive, particularly given that the insurance of the building was part of block policy and therefore not arranged specifically for the Property. Additionally, the Respondent or managing agents had not inspected or attended the Property since 2017.
24. The Applicants had obtained a quote from a managing agent to manage not just the Property but also four flats that neighboured the Property. The quote obtained was from Cure Property Management and was at page 30-31 of the bundle. The annual fee was £1,890, which when divided by six flats equated to £315 per flat. The Applicants pointed out that this fee included repairs, cleaning of communal parts and gardening, whereas these services were not provided by BLR Property Services. This showed in their view just how excessive the amount they were being charged was.
25. Mr Galliers, on behalf of the Respondent told the Tribunal that the managing agents charged a fixed annual fee and that this fee was agreed with the Respondent each year. Additionally, Mr Galliers confirmed that the only reason why this Property was managed by them was because it

was part of a larger portfolio. He stated that most managing agents had a minimum fee or a minimum number of properties. It was the Respondent's view that the charges they made were therefore reasonable in the circumstances.

26. Additionally, the Respondent stated that the terms of the lease were restrictive because the charge could only be collected annually in arrears, which made this difficult for any property manager to administer.

The Tribunal's Decision

27. The Tribunal found that the management fee was not reasonable given that the only service provided by the Respondent through their managing agents was dealing with insurance, collecting ground rent and service charges. The insurance was part of a block policy which would therefore reduce the administration required, and in any event, no claim relating to the Property had been made against the insurance policy.
28. In light of this, the Tribunal found that the management fee was unreasonable. The Tribunal used its expert knowledge of management fees and determined that the management fees in 2017 for a property of this nature would have been in the range of £300 to £350 (exclusive of VAT). The Tribunal therefore took £300 as its starting point and increased this by 5% per annum.
29. The Tribunal therefore substituted the management fee with the following amounts:

Service Charge Year	Management Fee for Property (Increasing by 5% per annum). Exclusive of VAT	Management Fee per Flat (50%). Exclusive of VAT.
September 2017-2018	£300	£150
September 2018-2019	£315	£157.50
September 2019-2020	£330.74	£165.37
September 2020-2021	£347.28	£173.64

September 2021-2022	2021-	£364.46	£182.23
September 2022-2023	2022-	£382.88	£191.44
September 2023-2024	2023-	£402.02	£201.01
September 2024-2025	2024-	£422.12	£211.06

Application for orders under section 20C of the 1985 Act, Commonhold and Leasehold Reform Act 2002, Schedule 11, paragraph 5A and Application fees.

30. In the application form the Applicants applied for an order under section 20C of the 1985 Act and schedule 11, paragraph 5A Leasehold Reform Act 2002 extinguishing any liability to pay an administration charge in respect of litigation cost in relation to the Proceedings.
31. Taking into account the determinations above, the Tribunal determined that it was just and equitable in the circumstances for orders to be made.
32. The Tribunal also determined that the Respondent must refund the Application fees paid by the Applicants in respect of the application and hearing. The Tribunal ordered the Respondent to refund any fees paid by the Applicant within 28 days of the date of this decision.

Name: Judge Bernadette MacQueen **Date:** 10 September 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