



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

Case reference : **LON/00AH/LSC/2023/0420**

Property : **11B and 13 Crowther Road, London,
SE25 5QW**

Applicants : **Alexandra Crump (1)
Hugh Chambers (2)**

Representative : **Mike Crump of Crump Winter
Chartered Surveyors**

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 member : **Judge Bernadette MacQueen**

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

Date of hearing : **22 August 2024**

Date of Decision : **10 September 2024**

DECISION

Decisions of the Tribunal

- (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 the Schedule attached to 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 Applicant of the Tribunal fees that the Applicant 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 fees for that period.

The Hearing

2. Alexandra Crump (the first Applicant) appeared and was represented by Mike Crump of Crump Winter Ltd. Hugh Chambers (the second Applicant) did not appear but Mike Crump confirmed that he was representing both parties. 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 hearing bundle consisting of 193 pages. This included statements on behalf of the Applicants and the Respondent, as well as a copy of the Lease, Lease extension, service charge invoices, accounts and insurance quotes.

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. Photographs of the building were provided in the hearing bundle at Appendix 1 (page 22 of the bundle).

The Background

5. The Property which was the subject of this application was a mid-terraced building constructed around the 1900s, purpose built as two flats at ground and first floor levels. The only common part was an external forecourt which was approximately 9 square metres.
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 a long lease of the Property which required the landlord to provide services and the tenant to contribute towards their costs by way of a variable service charge.
8. The original lease dated 23 April 1976 and made between Invincible Properties Ltd and Peter John William Smith and Susan Marion Smith for a term of 120 years from 25 December 1975 provided at clause 4(7) 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”

9. A lease dated 4 December 2013 registered under leasehold title number SGL209030 and made between Seamoat Limited and Christopher Gilfoy and Gayle Louise Gilfoy was supplemental to the original lease and imported the covenants in the original lease.
10. The leases related to 11b but there was no dispute that 13 Crowther Road was subject to leases in the same terms.

The Issues

11. At the start of the hearing the parties identified the relevant issue for determination was the reasonableness of service charges for years September 2017 until September 2024 relating to the insurance premium and management fee for the Property.
12. At pages 8 to 10 of the bundle parties had completed a schedule of disputed costs.
13. The Tribunal considered the submissions regarding insurance and management fee and then made a determination for each service charge year in question.

Insurance

14. 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 that related to the Property.
15. The Applicants told the Tribunal that the policy was excessive. In particular, this was because the policy provided £10 million employee liability cover, significant cover for common parts and £5 million for landlord indemnity. The Applicants submitted that this was inappropriate cover for the Property given it comprised two flats with only a small external forecourt.
16. The Applicants had obtained comparable insurance quotations on a like for like basis and they confirmed to the Tribunal that these had been obtained by sending the insurance documentation provided by BLR to insurance companies and asking them to provide a quotation on the same basis. The Applicants obtained quotations for the service charge years September 2019, 2021 and 2023 and these were significantly lower than the landlord’s insurance charges. In particular, for the service charge year 2019 the landlord’s insurance was provided by Covea at a cost of £2,303.17, whereas the Applicants’ like for like quote from Covea

was £1,235.76. Similarly, for the service charge year 2021, the landlord's insurance charge from Ageas was £2,322.50 whereas the Applicants' quotation from the same company was £1,163.58. Copies of the comparative quotes obtained by the Applicants were included within the bundle at pages 24 to 94.

17. The Applicant calculated what would be reasonable by taking the average of the three quotes obtained for the period September 2019/20 (£873.58) and then reducing this figure by 5% to give the September 2018/19 total. To arrive at the September 2017/18 figure, the September 2018/19 figure was reduced by 5%. To reach the September 2020/21 figure the 2019/20 figure was increased by 5%. For September 2021/22 the average of three quotes was taken. For September 2022/23 the comparative quote was used and finally for September 2023/24, 5% was added to the September 2022/23 figure. This was summarised as follows:

Date	Landlord Insurance Premium charged for the Property	Comparative quote obtained by Applicant	Applicant proposed Insurance Premium amount for the Property	Applicant proposed amount per flat (50% split)
Sept 2017/18	£2,117.70 (Covea)		£792.36	£396.18
Sept 2018/19	£2,166.06 (Covea)		£831.98	£415.99
Sept 2019/20	£2,303.17 (Covea)	£1,235.76 (Covea) £692.54 (Allianz) £692.54 (Ageas)	£873.58	£436.79
Sept 2020/21	£2,050.81 (Ageas)		£917.26	£458.63
Sept 2021/22	£2,322.50 (Ageas)	£1,127.46 (Axa) £998.85 (Victor) £1,163.58 (Ageas)	£1,096.63	£548.32

Sept 2022/23	£2,639.91 (Ageas)		£1,125.30	£562.65
Sept 2023/24	£2,732.05 (Axa)	£1,125.30 (Allianz)	£1,181.57	£590.79
Sept 2024/25	To be assessed			

18. 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. The Respondent stated that the quotations obtained by the Applicants were lower as they were not based on a portfolio policy.
19. The Respondent further stated that it was not feasible to obtain separate quotations and policies for every property, further 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.
20. In terms of the quotations obtained by the Applicants being on a like for like basis, the Respondent told the Tribunal that they were unable to confirm the sum insured for previous years, however the sum insured for 2023 was £869,301.00.
21. 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

22. 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 be incumbent upon the Respondent to ensure that the insurance obtained for the Property was suitable.

23. The Tribunal accepted the evidence of the Applicants that when obtaining the comparative insurance quotations they had provided the insurance companies with the Respondent's insurance documentation and so therefore like for like quotes were provided. The Tribunal accepted that the quotations obtained by the Applicant showed that the insurance charged by the Respondent was excessive. The comparative quotes therefore provided a sound basis upon which reasonable insurance premiums could be calculated. The Tribunal accepted the methodology of the Applicants and determined that the following insurance premiums should be substituted for those charged by the Respondent:

Date	Applicant proposed Insurance amount for the Property Premium	Applicant proposed amount per flat (50% split)
Sept 2017/18	£792.36	£396.18
Sept 2018/19	£831.98	£415.99
Sept 2019/20	£873.58	£436.79
Sept 2020/21	£917.26	£458.63
Sept 2021/22	£1,096.63	£548.32
Sept 2022/23	£1125.30	£562.65
Sept 2023/24	£1181.57	£590.79
Sept 2024/25	£1,240.65	£620.34

Management Fee

24. It was agreed by both parties that the only duties that BLR Property Services performed as managing agents for the Respondent at the Property were dealing with insurance and charging and collecting the ground rent and service charges.
25. It was also agreed that 11b and 13 Crowther Road were independent from each other, and the only communal area was the small communal external forecourt.
26. The Applicants stated that the management fee was excessive, particularly given that the insurance of the building was part of a block policy and therefore not arranged specifically for the Property and that the Respondent or managing agents had not inspected or attended the Property since 2017.
27. The Applicant referred the Tribunal to three previous decisions of the First-tier Property Tribunal within their statement of case and by analysing these cases asserted that a management fee of £150 per annum per flat was reasonable for 2017-2018 (page 18 of the bundle). The Applicant used this figure to calculate the service charge for the following year by increasing the amount by 5% per annum each year as follows:

Service Charge Year	Management Fee for Property (Increasing by 5% per annum)	Management Fee per Flat (50%)
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	£364.46	£182.23
September 2022-2023	£382.88	£191.44

September 2023-2024	£402.02	£201.01
September 2024-2025	£422.12	£211.06

28. In response to a question from Mr Galliers, Mr Crump confirmed that the figures were exclusive of VAT. Mr Galliers confirmed that the Respondent's figures were inclusive of VAT.
29. 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, but for this it would fall below the minimum fee charged for a new building, the current rate of which was £2,500 plus VAT per annum. It was the Respondent's view that the charges they made were therefore reasonable in the circumstances.
30. The Respondent also asked the Tribunal to note that there were no alternative quotations produced by the Applicants and that it was very unlikely that any management company would be willing to manage the Property for the fee suggested by the Applicants. Additionally, 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

31. 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.
32. In light of this, the Tribunal found that the management fee was unreasonable. The Tribunal accepted the Applicants' analysis that the management fees in 2017 should have been £300 (£150 per flat) given the duties completed by the managing agent. The Tribunal also accepted the Applicant's analysis that a 5% increase per annum was reasonable and therefore found that the management fee should be substituted with the following amounts:

Service Charge Year	Management Fee for Property (Increasing by 5% per annum)	Management Fee per Flat (50%)
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	£364.46	£182.23
September 2022-2023	£382.88	£191.44
September 2023-2024	£402.02	£201.01
September 2024-2025	£422.12	£211.06

Tribunals Determination as set out in the Schedule

33. For the reasons set out above, the Tribunal made the following determination:

Item	Cost	Applicant Tenants' Comments	Landlord Comments	Tribunal Determination (for the Property)
2017	Insurance £2,117.70 (Covea)	Not reasonable. Prepared to pay:	Reasonable : Alternative quotes based on a	Insurance - £792.36 (£396.18 per flat)

	<p>Management Fee £646.90</p>	<p>Insurance £792.36</p> <p>Management Fee £300</p>	<p>lower sum insured and not on a portfolio policy.</p> <p>Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charged include VAT</p>	<p>Management Fee (exclusive of VAT) £300 (£150 per flat)</p>
2018	<p>Insurance £2,166.06 (Covea)</p> <p>Management Fee £677.00</p>	<p>Not reasonable.</p> <p>Prepared to pay:</p> <p>Insurance £831.98</p> <p>Management Fee: £315.00</p>	<p>Reasonable :</p> <p>Alternative quotes based on a lower sum insured and not on a portfolio policy.</p> <p>Mgmt fee: There are no alternative quotes as it is very unlikely</p>	<p>Insurance - £831.98 (£415.99 per flat)</p> <p>Management Fee (exclusive of VAT) £315 (£157.50 per flat)</p>

			that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charged include VAT	
2019	<p>Insurance £2,303.17 (Covea)</p> <p>Management Fee £668.85</p>	<p>How can you justify as reasonable against comparative like for like quotes from the same insurer</p> <p>£1235.67 (Covea)</p> <p>£692.54 (Allianz)</p> <p>£692.54 (Ageas)</p> <p>Prepared to pay:</p> <p>Insurance: £873.58</p> <p>Mgmt Fee: £330.74</p>	<p>The alternative quotes are based on a lower sum insured.</p> <p>Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charges include VAT</p>	<p>Insurance - £873.58 (£436.79 per flat)</p> <p>Management Fee (exclusive of VAT) £330.74 (£165.37 per flat)</p>

2020	<p>Insurance £2,050.81 (Ageas)</p> <p>Management Fee £668.85</p>	<p>Not reasonable.</p> <p>Prepared to pay:</p> <p>Insurance £917.26</p> <p>Management Fee £347.28</p>	<p>Reasonable :</p> <p>Alternative quotes based on a lower sum insured and not on a portfolio policy.</p> <p>Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charged include VAT</p>	<p>Insurance £917.26 (£458.63 per flat)</p> <p>Management Fee (exclusive of VAT) £347.28 (£173.64 per flat)</p>
2021	<p>Insurance £2,322.50 (Ageas)</p> <p>Management Fee £753.08</p>	<p>How can you claim reasonableness with comparative like for like quotes easily obtained for the following:</p> <p>£1127.46 (Axa)</p> <p>£998.85(Victor)</p>	<p>Reasonable :</p> <p>Alternative quotes based on a lower sum insured and not on a portfolio policy.</p>	<p>Insurance £1,096.63 (£548.32 per flat)</p> <p>Management Fee (exclusive of VAT) £364.46 (£182.23 per flat)</p>

		<p>£1163.58 (Ageas)</p> <p>Prepared to pay:</p> <p>Insurance: £1096.63</p> <p>Mgmt Fee: £364.46</p>	<p>Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charged include VAT</p>	
2022	<p>Insurance £2,639.91 (Ageas)</p> <p>Management Fee £745.02</p>	<p>Not reasonable. Breakdown of service charge to supplied.</p> <p>Prepared to pay:</p> <p>Insurance: £1125.30</p> <p>Mgmt fee: £382.88</p>	<p>Reasonable : Alternative quotes based on a lower sum insured and not on a portfolio policy.</p> <p>Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this</p>	<p>Insurance - £1,125.30 (£562.65 per flat)</p> <p>Management Fee (exclusive of VAT) £382.88 (£191.44 per flat)</p>

			property for the fee suggested by the applicant. The fees charged include VAT	
2023	<p>Insurance £2,732.05 (Axa)</p> <p>Management Fee £811.00</p>	<p>How can you claim reasonableness with comparative like for like quote easily obtained for the following:</p> <p>£1125.30 (Allianz)</p> <p>Prepared to pay:</p> <p>Insurance: £1181.57</p> <p>Mgmt fee: £402.02</p>	<p>Reasonable :</p> <p>Alternative quotes based on a lower sum insured and not on a portfolio policy.</p> <p>Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charged include VAT</p>	<p>Insurance - £1,181.57 (£590.79 per flat)</p> <p>Management Fee (exclusive of VAT) £402.02 (£201.01 per flat)</p>

2024	Yet to be received	Prepared to pay: Insurance: no more than £1240.65 Mgmt fee: £422.12	Reasonable : Alternative quotes based on a lower sum insured and not on a portfolio policy. Mgmt fee: There are no alternative quotes as it is very unlikely that any management company would be willing to manage this property for the fee suggested by the applicant. The fees charged include VAT	Insurance - £1,240.65 (£620.34 per flat) Management Fee (exclusive of VAT) £422.12 (£211.06 per flat)
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Application for orders under section 20C of the 1985 Act, Commonhold and Leasehold Reform Act 2002, Schedule 11, paragraph 5A and Application fees.

34. 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.
35. The Tribunal determined that it was just and equitable to make these orders given the findings of the Tribunal.

36. 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 to the Upper Tribunal (Lands Chamber).