FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case reference	:	**LON/00BJ/LSC/2024/0037**
HMCTS code	:	**P: PAPERREMOTE**
Property	:	**2 Sisters Avenue, London, SW11 5SG**
Applicant	:	**(1) Charlotte Rollo-Walker (Flat A)** **(2) Julia Zlotkowska (Flat B)** **(3) Jacqueline Stevens (Flat D)** **(4) Daniel Morritt, Helen Morritt, Andrew Morritt and Jennifer Morritt (Flat E)** **(5) Richard Turner (Basement Flat)**
Representative	:	**Lucy Walker-Mitchell**
Respondent	:	**Assethold Limited**
Representative	:	**Eagerstates Limited**
Type of application	:	**(1) Section 27A of the Landlord and Tenant Act 1985)** **(2) Schedule 11 of the Commonhold and Leasehold Reform Act 2002**
Tribunal members	:	**Judge Tueje** **Mrs A Flynn MA MRICS**
Venue	:	**10 Alfred Place, London WC1E 7LR**
Date of Decision	:	**1st August 2024**

DECISION

In this determination, statutory references relate to the Landlord and Tenant Act 1985 unless otherwise stated.

Decisions of the Tribunal

(1) The Tribunal makes the determinations set out at paragraphs 42 to 69 below.

(2) The applications under section 20C and paragraph 5A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002 are refused for the reasons stated at paragraph 71 below.

The application

1. The Application relates to 5 of the 6 dwellings at 2 Sisters Avenue, London, SW11 5SG. The 5 dwellings are converted flats within a semi-detached terraced building (the "Premises").

2. The Applicants are the leaseholder owners of their respective flats, and the Respondent is the freehold owner of the Premises. Eagerstates, the Respondent's agent, is responsible for the day-to-day management of the Premises.

3. The Applicants request the Tribunal determines whether the following service charges are reasonable:

    3.1 The overall cost of the 2023 annual service charges, which have increased from £10,692.58 in 2014 to £44,336.25 in 2023.

    3.2 The cost of supplying and installing an intercom system amounting to £1,626.00;

    3.3 £1,980.00 erroneously billed to leaseholders as a duplicate charge for the above-mentioned installation of the intercom system; and

    3.4 External redecoration of the Premises costing £17,250.[1]

[1] The documentation provided shows this cost is £17,250.00, not the £17,700.00 stated in the Application. The Tribunal's decision is based on the actual cost, namely £17,250.00.

4. Additionally, Ms Rollo-Walker wishes to challenge an administration charge of £150, which was levied on the grounds that she was late paying her contribution towards the costs referred to at paragraph 3.3 above.

The factual background

5. The Application is dated 19th January 2024, being the same day the Tribunal received it. It requested a determination of the matters set out at paragraphs 3.1 to 3.4 above.

6. By an order dated 8th February 2024 the Tribunal gave directions, including making provision for the Applicants to provide copies of any alternative quotations being relied on, and for them to set out in the Tribunal's standard schedule the disputed amounts, with reasons. The Applicant set out in the schedule the matters listed at paragraphs 3.1 to 4 above. The Respondent was to provide its response to the schedule by 24th May 2024

7. The Applicants complain that the Respondent completed the schedule late: stating it received the schedule on 28th May 2024.

8. In the schedule, the Respondent takes issue with Ms Rollo-Walker challenging the £150 administration charge on the grounds that this charge is not included in the original Application.

9. The matter was due to be listed for a final hearing between 22nd July 2024 to 16th August 2024. However, both parties subsequently agreed to the Application being dealt with on the papers, which the Tribunal acceded to.

10. The Applicant prepared a 174-page bundle for use by the Tribunal, and we have taken its contents into account.

11. Amongst the documents contained in the bundle is a lease for Flat A, 2 Sisters Avenue. As far as we are aware, all leases granted in respect of the Premises are believed to have similar or broadly similar terms.

12. The Particulars of the lease state that the leaseholder shall pay £200.00 each year by way of an interim service charge.

13. Clause 2 of the lease includes the following:

    THIRDLY by way of further or additional rent an annual sum being the Tenant's Proportion of the Maintenance Charge and being made-up of the Interim Service Charge paid on the first day of January in each year or on such other day and for such other period and in such other manner as the Landlord shall from time to time reasonably determine and which shall be payable on account of the Maintenance Charge and the balance payable under the Maintenance Charge as set out under the

provisions of the Proviso to Clause 4 hereof the payment firstly described above to be made by Bankers Standing Order if so required by the Landlord

14. By clause 3(iv) of the lease, the leaseholders agree to the following:

    To pay to the Landlord both the Interim Service Charge and the Tenants share of the Maintenance Charge as specified in Paragraph 7 of the Particulars in the manner and on the days as herein provided

15. Clause 4 sets out the freeholder's obligations, including to insure, repair and maintain the Premises. So far as is relevant to the service charges which are disputed, by clause 4(v) of the lease, the freeholder agrees to the following:

    To paint with two coats of paint of good quality in a workmanlike manner all the wood iron and other parts of the Building heretofore or usually painted as to the external work in every third year (or at such other interval being not less than three years nor more than five years as the Landlord shall in his absolute discretion deemed to be reasonably necessary) of the term computed from the first day of January of the year specified in paragraph nine of the Particulars PROVIDED THAT such exterior decoration of the Building shall be in such colour as shall be unanimously agreed by the Tenant and the other flat owners and in case of any difference arising between the Tenant and the owners of the other flats as to such exterior decorations the Landlord's decision shall be final and binding

16. As to when service charges are payable, clause 4(vi) states:

    … under this clause it is hereby agreed between the parties as follows:-

    (a) The amount of the Maintenance Charge shall be certified by the Landlord at the end of the Accounting Period in each year and if such charge shall be greater than the sum paid in advance in any year of the term by the tenant as previously provided by this Lease the balance of the said sum shall be a debit due and owing to the Landlord and shall be paid within 15 days of the Tenant being notified in writing of the same

    (b) If the Interim Service Charge in respect of any Accounting Period exceeds the Maintenance Charge for that Period the surplus over the Interim Service Charge so paid over and above the Maintenance Charge shall be carried forward by the Landlord and credited to the account of the Tenant in completing the Maintenance Charge in succeeding Accounting Periods

17. As to apportionment of the service charge costs, the Applicants state the Basement Flat and Flat A each pay 25% of the service charge costs, the other flats all pay 12.5% each.

18. By a letter dated 8th March 2023, Eagerstates notified the Applicants under section 20 of its intention to arrange for the supply and installation of an intercom system at the Premises. And on 25th April 2023, Eagerstates wrote to the Applicants notifying them that it had obtained 2 estimates/quotations in respect of these works, as follows:

- ADL - £1,320.00 including VAT; and
- Superior - £1,680.00 including VAT

19. Eagerstates informed the Applicants it selected ADL to carry out these works, and that in addition to the cost of the works, Eagerstates would charge its minimum management fee of £300 including VAT.

20. The hearing bundle contains the ADL quotation at £1,320, and Superior's estimate of £1,680.00, the latter is marked as paid. However, the bundle also contains an invoice of £1,320.00 from Superior dated 15th November 2023. In e-mails exchanged with the Applicants, Eagerstates explained that due to ADL delaying the start date of the works, Eagerstates engaged Superior to do the work instead. It seems Superior agreed to do this work at the price quoted by ADL.

21. In a separate consultation process, on 27th March 2023 Eagerstates sent a further notice under section 20 of its intention to redecorate the exterior of the Premises, which works consisted of the following:

Woodwork (Windows, doors, porch, soffits, gutter boards, dormers)
Scrape/burn off all loose and flaky paint
Sand down surfaces
Apply knotting solutions to any live knots
Clean down Surfaces
prime all wood area
Rake out, fill and sand all cracks and holes
Apply one coat of undercoat to primed areas
Replace all faulty putty
Apply to coast of undercoat [sic]
Apply one coat of gloss
Render (window surrounds, porch, ornamental features)
wire brush off all loose and flaking paint
All surfaces washed or brushed down as needed
Rake out and refill any cracks and holes, or minor areas of blown render
Remove any mould or growth with fungicidal solution
Apply stabilising solution to any flaking or powdery areas
Decorate new rendered area
Iron works (railings, gates, bars)
Wire brush off any loose or flaking paint
Sand down surfaces and treat any rusted arrears [sic]
Prime all bare metal
Apply one coat undercoat

Apply one coat of gloss

Scaffolding any areas required.

22. The statement of estimates in respect of the external redecoration is dated 3rd June 2023. It states Eagerstates obtained 2 estimates, as follows:

- Entremark - £15,480.00 including VAT; and
- Superior - £15,000.00 including VAT

23. Eagerstates selected Superior to carry out these works, which including Eagerstates's 12.5% management fee, brought the total to £17,250.00 including VAT.

24. In addition to the dispute regarding the specific items above, the Applicants make a more general complaint that the overall cost of service charges have increased to an unreasonable level. They point out that service charges were £10,692.58 in 2014, £36,381.76 in 2022, and £44,336.25 in 2023.

Preliminary Issue

25. Before dealing with the substantive issues, the Tribunal dealt with two preliminary issues.

The Administration Charge

26. Firstly, in light of the Respondent's objections to Ms Rollo-Walker seeking a determination in respect of the £150 administration fee, which wasn't raised in the original Application. The Tribunal considered as a preliminary issue, whether or not to deal with this point.

27. The administration charge was levied because Ms Rollo-Walker did not pay a contribution towards the £1,980.00 duplicate intercom costs (see paragraphs 3.3 and 51 to 54 herein) by the date Eagerstates requested the payment must be made. Ms Rollo-Walker objected to the payment on the grounds that she should not be required to pay a contribution towards a payment that Eagerstates made in error.

28. We note this issue is not raised in the original Application. We consider that's likely to be because the issue arose close to the time when the Application was submitted to the Tribunal. For instance, in Eagerstates's e-mail sent on 12th January 2024 it reminded Ms Rollo-Walker that this contribution was unpaid, and extended the period for making the payment to 19th January 2024. The e-mail also warned her that failure to make the payment as requested would result in an £150 administration charge. So at the time the Application was submitted, Ms Rollo-Walker and Eagerstates were exchanging e-mails regarding her contribution. Ms Rollo-Walker did not pay the

contribution by 19th January 2024, consequently, the £150 administration charge was debited.

29. However, in a subsequent e-mail sent to Eagerstates on 7th February 2024, Ms Rollo-Walker explained that she had paid the administration fee, but would be claiming it back as part of the Application. The Respondent maintains her contribution was demanded, a reminder was sent, Ms Rollo-Walker was obliged to make the payment, but failed to do so by the date requested. It therefore maintains the administration charge is reasonable.

30. In light of the above, as the service charge cost in respect of which the administration charge was made is the subject of this Application, we consider it would be appropriate to deal with Ms Rollo-Walker's challenge even though it was not raised in the original application. We consider the administration charge is inextricably linked to our determination of the disputed service charge. In particular, whether or not the underlying service charge is reasonable is likely to be relevant to whether the associated administration charge is reasonable.

31. Furthermore, we consider the timing of when this issue arose also explains why it may not have been raised in the Application. We note that Ms Rollo-Walker informed Eagerstates shortly after the Application was submitted, that she would be claiming for the administration charge as part of the Application. Yet further, the Respondent was aware Ms Rollo-Walker was challenging the administration charge by the time it responded to the Applicants' schedule. Therefore, the Respondent had an opportunity of dealing with the administration charge, and did so. We consider it is proportionate to allow Ms Rollo-Walker to raise the administration charge as part of this Application.

The Respondent's Late Schedule

32. By paragraph 6 of the directions order dated 8th February 2024, the Respondent was due to submit its schedule by 24th May 2024, but instead submitted it on 28th May 2024. A letter dated 12th June 2024 sets out Judge Nicol's decision regarding the Respondent's case, it states:

    The Respondent has failed to comply with the directions to provide their case. If they wish the Tribunal to consider any material, they must provide it to the Applicants and to the Tribunal as soon as possible AND make an application in form Order 1 for an extension of time. The application must include a full explanation of the failure to comply, supported by suitable evidence.

33. The Respondent had completed the schedule by the date the 12th June 2024 letter was sent, and had already provided the schedule to the Applicants. Therefore, we understand the above reference to the Respondent's failure *"to provide their case"*, relates to a failure to provide documents and/or statements. However, most of the documentation in the hearing bundle appears to have been supplied by the Applicant, except perhaps for the statements of account at pages 157 to 166 of the bundle. We do

not consider the Respondent supplying this documentation late will have caused any or any material prejudice, because the statements are not crucial to the issues we need to decide.

34. In any event, it appears that any failure by the Respondent to comply with the directions has not denied the Applicants an opportunity to deal with the Respondent's case. We note, the Applicants had sufficient opportunity to deal with the Respondent's schedule, which was only a few days late.

35. Therefore, in our judgment, to further the overriding objective, we will not exclude the limited documentation the Respondent has submitted, even though it has been submitted slightly late. Accordingly, to the extent that it's necessary to do so, we exercise our discretion under rule 8(2)(a), and waive the requirement for the Respondent to apply for an extension of time.

The issues

36. The Tribunal identified the following issues as requiring determination:

    36.1 The reasonableness of the service charges referred to at paragraphs 3.1 to 3.4 above;

    36.2 The reasonableness of the administration charge referred to at paragraph 4 above; and

    36.3 What orders, if any, should be made under section 20C and/or paragraph 5A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002.

The legal framework

37. Sections 18 to 20 contain some of the statutory restrictions on the recovery of service charges. There are similar provisions in respect of administration charges at Part I of Schedule 11 of the Commonhold and Leasehold Reform Act 2002. Essentially, both statutes provide that leaseholders are required to pay service charges and administration charges only to the extent that the charges are reasonable.

38. The relevant legislation is set out in the Appendix to this determination.

The Tribunal's Determination

39. The Tribunal reached its decision after considering the written evidence, including documents referred to in that evidence, and taking into account its assessment of the evidence.

40. This determination does not refer to every matter raised by the parties, or every document the Tribunal reviewed or took into account in reaching its decision. However, if a point or document was referred to by the parties that was relevant to a specific issue, it was considered by the Tribunal.

41. Unless otherwise stated, service charge costs in this determination represent costs for the Premises as a whole, rather than for individual flats.

The Tribunal's Decision Regarding the Increase in Service Charge Costs

42. The Tribunal makes no determination in respect of the overall increase for the service charge year 2023.

Reasons for the Tribunal's Decision

43. The Applicants complain about an overall increase in the global service charge costs payable for the Premises. They argue this is illustrated by the fact that service charges in respect of the Premises were £10,692.58 in 2014, £36,381.76 in 2022, and £44,336.25 in 2023.

44. This challenge effectively requires a global assessment of whether the annual service charge invoice is reasonable. In our judgment, it is more appropriate to assess the reasonableness of the individual costs of the items of service charge expenditure which are challenged. That is because expenditure is likely to vary from year to year, depending on what services, works and repairs were required during a particular service charge period.

45. While noting the difference between the previous service charges cited by the Applicants, and the 2023 service charges, in the Tribunal's judgment and experience, service charge costs have tended to increase in recent years. We also consider the cost of the external redecoration carried out in 2023 is likely to have contributed to the increased service charge costs payable for that period.

46. As to the reasonableness of the service charges claimed for 2023, we have dealt with the specific costs challenged at paragraphs 47 to 69 below.

The Tribunal's Decision on Costs Relating to the Intercom - £1,620.00

47. We find the £1,620.00 claimed by the Respondent represents a reasonable cost to supply and install an intercom system at the Premises.

Reasons for the Tribunal's Decision

48. The Applicants accept £1,620.00 is a reasonable sum, acknowledging it was the amount they expected to pay following the consultation process. The Applicants state

they have included this sum in the schedule, not because they challenge its reasonableness, but to highlight that the disputed £1,980 duplicates this sum.

49. Although, as stated, the Applicants don't dispute £1,620.00 is a reasonable cost, for completeness, the Tribunal notes it was the cheaper of the two quotes obtained.

The Tribunal's Decision on Costs Relating to the Intercom - £1,980.00

50. In our judgment it is not reasonable for the Applicants to pay £1,980.00, which duplicates the £1,620.00 claimed for these works (see paragraphs 51 to 54 below).

Reasons for the Tribunal's Decision

51. It is common ground that the cost to supply and install the intercom was £1,620.00, which sum has been demanded from the Applicants.

52. The Respondent claims an additional £1,980.00 because Eagerstates erroneously paid this sum to a contractor, even though payment of the actual cost of this work at £1,620.00 was also claimed from the Applicants. In an e-mail sent on 17th January 2024, Eagerstates confirms the contractor has refunded the duplicate payment. The Respondent maintains its request for payment from the Applicants of their contributions towards this sum, explaining it will be credited against the 2024 service charges.

53. In our judgment, it is not reasonable to require the Applicants to make a duplicate payment in respect of which no works have been carried out. Even having regard to the terms of the lease, we do not consider the Respondent's approach is appropriate.

54. By sub-clause 4(vi)(b) of the lease, where a leaseholder makes a payment on account of service charges which exceeds actual expenditure, the freeholder is entitled to credit the excess payment against future service charges. However, that is not the situation that has arisen here. The leaseholders did not pay this sum as a payment on account: payment was sought on the basis that Eagerstates had already (erroneously) paid out the sum. Therefore, this was not a payment on account in respect of works that would or might be carried out. We find there is no provision in the lease that entitles the Respondent to claim payment of the duplicated sum.

55. We do not consider it is reasonable that the Applicants will lose the benefit of these funds if they are paid over to the Respondent. Furthermore, as the erroneous payment has been refunded to the Respondent, this further supports the conclusion that it is not reasonable for the Applicants to pay this sum.

The Tribunal's Decision Regarding the Cost of the External Redecoration

56. We find the cost of the external redecoration undertaken in August 2023 is unreasonable. The Respondent claimed £17,250.00 for the cost of the external redecoration, which consisted of the following:
    - £12,500.00 for redecoration;
    - £2,500.00 VAT on redecoration costs;
    - £1,875.00 management fee at 12.5%; and
    - £375.00 VAT on management fee.

57. We reduce the £17,250.00 claimed to £15,960.00, which we consider is a reasonable sum, calculated as follows:
    - £11,875.00 for redecoration;
    - £2,375.00 VAT on redecoration costs;
    - £1,425.00 management fee at 10%; and
    - £285.00 VAT on management fee.

Reasons for the Tribunal's Decision

58. The Applicants complain that the external redecoration is incomplete, in the Application they pose the following question:

    "Whether leaseholders should be liable to pay the full amount for external decorating works since the work has not been completed?"

59. By way of example, the Application states the external metal floor and steps leading to Flat A were painted during the external redecoration around 5 years ago, but this was not done as part of the 2023 redecoration. Therefore, they argue that under clause 4(v) of the lease (see paragraph 15 above), the metal floor and steps should also have been painted in 2023. In e-mails exchanged with Eagerstates, it's stated that the metal floor, steps and railings have not been painted. The Applicants also complain that some of the work carried out has not been done to a high standard, referring to paint splashes. These complaints are supported by photographic evidence.

60. Eagerstates confirms it's willing to ask the contractors to return to paint the metal floor, but points out this was not part of the specification of work.

61. In deciding whether or not the cost of the external redecoration is reasonable, we have taken into account the redecoration that was actually carried out, and compared this to the items set out in the specification of works. We note that the cost included scaffolding. It also included painting the railings, which the Applicants' photographs indicate were not painted properly or at all. However, Eagerstates are correct to say the specification of works did not include painting the metal floor or steps. On that basis, we consider the amount charged for the work specified, is broadly reasonable, if all that work had been carried out to a reasonable standard. Although we consider

there should have been a retention to address any snagging. This would allow for the contractors to return and remedy any deficiencies in the work carried out, such as painting the railings. Moreover, the Applicants have been complaining about the incomplete external redecoration since August 2023, and as at the date they completed the schedule in May 2024, the contractors had not addressed these deficiencies. As the contractors have not done so within a reasonable period, it would be inappropriate to release the retention had there been one.

62. If there had been a retention, we consider 5% would be appropriate. Therefore, we consider 5% should be deducted from the amount claimed from the Applicants to reflect the amount that should be withheld. This would reduce the cost of the works from £15,000 including VAT, to £14,250.00 including VAT.

63. We note the Applicants complain the metal stairs and floor were not painted, but they were not charged for this work, and so this would not affect the reasonableness of the cost. The Tribunal's jurisdiction under section 27A does not extend to dealing with whether or not omitting to paint the metal floor and steps amounts to a breach of the lease.

64. As to the Applicants' complaint that works were not carried out to a high standard, we have considered whether they were carried out to a reasonable standard pursuant to section 19. With one exception, we consider the redecoration was generally carried out to a reasonable standard. The photographs contained in the hearing bundle show some paint splashings. As far as we are aware, the Applicants sent these photographs in accordance with paragraph 5 of the 8th February 2024 directions order. We have also noted the correspondence between the parties confirming the Applicants sent its documents to the Respondent, and sought confirmation in an e-mail sent on 7th June 2024 that the Respondent had these. The one exception relates to painting the railings, which is dealt with at paragraphs 59 to 61 above.

65. As to the management fee for these works, we do not consider 12.5% management fee is reasonable. Where a management fee is charged as a percentage, this is typically in the region of 10%. We have taken into account that Eagerstates has not arranged for the contractors to return to at least deal with painting the railings, or any other potentially justified complaints, which is an important part of the management function. Therefore, we find a 12.5% management fee is not justified, particularly as it is slightly higher than the typical fee.

66. Accordingly, we reduce the management fee to £1,710.00 including VAT, which is 10% of the reduced £14,250.00 that we assess to be a reasonable cost of the external redecoration.

The Tribunal's Decision Regarding the Administration Charge

67. In our judgment, the £150 administration charge is not reasonable, and we reduce this amount to zero.

Reasons for the Tribunal's Decision

68. The Respondent claims a £150 administration charge due to Ms Rollo-Walker's failure to pay her contribution of the £1,980.00 costs dealt with at paragraphs 50 to 55 above. However, the Respondent accepts that the actual cost of these works was £1,620.00, that the Applicants have been invoiced for that cost and paid it. The Respondent also accepts that the £1,980.00 was a duplicate charge that it erroneously paid to the contractor.

69. For the reasons stated at paragraphs 50 to 55 above, we found that the £1,980.00 costs were not reasonable. Consequently, we find it's not reasonable to claim for an administration charge on the grounds that this element of the service charges was not paid on time, when we have found that this element of the service charges should not be paid at all.

The Tribunal's Decision on Costs

70. The Tribunal refuses the Applicants' request for orders under section 20C of the 1985 Act and paragraph 5A of Schedule 11 to the 2002 Act.

Reasons for the Tribunal's Decision on Costs

71. Firstly, the Tribunal is primarily a no-costs jurisdiction. Secondly, taking into account the Tribunal's decision made in respect of the Application, broadly speaking, the Respondent has successfully defended the Application. The deductions we have made are around 17% of the disputed costs, and we do not consider that is sufficient for it to be just and equitable to make the orders on costs that the Applicants are seeking.

Name: Judge Tueje **Date:** 1st 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

Extracts from the Landlord and Tenant Act 1985

18.— Meaning of "service charge" and "relevant costs"

(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.

19.- Limitation of service charges: reasonableness

(1) Relevant costs shall be taken into account in determining the amount of service charge payable for a period-

(a) only to the extent that they are reasonably incurred, and

(b) where they are incurred on the provision 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.

20.- Limitation of service charges: consultation requirements

(1) Where this section applies to any qualifying works or qualifying long term agreement, the relevant contributions of tenants are limited in accordance with subsections (6) or (7) (or both) unless the consultation have been either-

(a) complied with in relation to the works or agreement, or

(b) Except in the case of works to which section 20D applies, 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 payment of service charges) to relevant costs incurred on carrying out the works under the agreement.

(3) This section applies to qualifying works if relevant costs incurred or on carrying out the works exceed an appropriate amount.

27A- Liability to pay service charges: jurisdiction

(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.

Extracts from Schedule 11 of the Commonhold and Leasehold Reform Act 2002

Paragraph 1 – Meaning of Administration Charge

(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.

Paragraph 2 – Reasonableness of Administration Charges
A variable administration charge is payable only to the extent that the amount of the charge is reasonable.

Paragraph 4 – Notice in Connection with Demands for Administration Charges
(1) A demand for the payment of an administration charge must be accompanied by a summary of the rights and obligations of tenants of dwellings in relation to administration charges.

(2) The appropriate national authority may make regulations prescribing requirements as to the form and content of such summaries of rights and obligations.

(3) A tenant may withhold payment of an administration charge which has been demanded from him if sub-paragraph (1) is not complied with in relation to the demand.

(4) Where a tenant withholds an administration charge under this paragraph, any provisions of the lease relating to non-payment or late payment of administration charges do not have effect in relation to the period for which he so withholds it.

Paragraph 5 – Liability to Pay Administration Charges
(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)