

FIRST TIER PROPERTY CHAMBER DECISION



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

Case Reference	: HAV/ooHE/LSC/2024/0636
Property	Flat 6 Ebenezer Chapel, Gunnislake, Cornwall, PL18 9NA
Applicant	Jonathan Pilgrim
Respondent	Gunnislake Chapel Management Limited. Rowan Homes (SW) Limited
Representative	Robert Lester
Type of Application	Determination of liability to pay and reasonableness of service charges under Section 27A Landlord and Tenant Act 1985. Applications under Section 20C of the Landlord and Tenant Act 1985 and Paragraph 5, Schedule 11 of the Commonhold and Leasehold Reform Act 2002 for limitation of the landlords costs and administration charges.)
Tribunal	Judge T. Hingston M. Ayres FRICS L.Packer Lay member
Date of Decision	12 September 2025

DECISION:

The Tribunal determines that the service charges for Flat 6 in the years 2019 and 2020 were reasonable and the Applicant was liable to pay them in full.

The service charge for 2021 was unreasonable, and Mr. Pilgrim was only liable to pay £355 for that year.

The service charge for 2022 was unreasonable, and Mr. Pilgrim was only liable to pay £430 for that year.

The service charge for the year 2023 was reasonable and the Applicant was liable to pay it in full.

The service charge for 2024 is unreasonable, and the Applicant is only liable to pay £1,500 for that year.

The proposed service charge for 2025 is unreasonable. The Tribunal determines that the Applicant should pay £1,600.

BACKGROUND

1. The property in question is an old Methodist chapel in the village of Gunnislake, Cornwall. It was built in the mid-19th century and in 2012-2017 it was converted into seven self-contained flats or apartments which are now all let on long leases.

2. The freehold was originally held by the development company Rowan Homes (SW) Limited, whose directors are Mr. Robert Lester and his wife. In May 2024 the freehold was transferred to Gunnislake Chapel Management Company (GCMC), a hitherto dormant company which had been set up by Mr. Lester back in 2017 with the intention that the leaseholders of the apartments would eventually manage the building themselves. The current Directors of GCMC are Mr. Lester, Mr. Oliver Poole (Flat 3), Ms. Bridget Richards (Roberts?) (Flat 1) and Mr. Harry Cope (Flat 7).

3. The Applicant Mr. Pilgrim is the leaseholder of Flat 6, and the Respondent freeholder Mr. Lester also owns the leasehold of Flat 4.

4. Mr. Pilgrim made an application dated 30th October 2024 for determination of liability to pay and reasonableness of service charges for the years 2024 and 2025.

5. The Applicant further sought orders pursuant to Section 20C of the Landlord and Tenant Act 1985 (hereafter referred to as 'The 1985 Act') and paragraph 5A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002, as to the landlord's ability to recover costs of the proceedings and administration charges from the leaseholders.

6. The Applicant requested a determination in relation to the following:
2024 –

- a) Reasonableness of service charge increase
- b) Lack of detailed notice for service costs
- c) Appropriateness of engaging an external property management company

2025 -

- a) Reasonableness of service charge Lack of detailed notice for service costs
- b) Lack of detailed notice for service costs
- c) Appropriateness of engaging an external property management company

7. Directions were issued by the Tribunal and the matter came before Regional Judge Whitney for a Case Management and Dispute Resolution hearing on the 16th of May 2025.

8. At the hearing on the 16th of May the Applicant confirmed that he did in fact wish to challenge earlier years of service charges dating back to 2017. Judge Whitney ruled that the application would be expanded for a determination of liability to pay and reasonableness of service charges for the years 2019 to date.

9. It was also decided that Rowan Homes (SW) Limited would be added as a Respondent to the application. Judge Whitney was satisfied that Mr Lester was a director of both companies, and in the circumstances of the case both should be named as Respondents.

RELEVANT LAW

10. See Appendix.

THE LEASE

11. The 'Interpretation' section of the Lease [Page 320 of the bundle] outlines the meaning of the 'Retained parts' for which the Landlord is responsible, including the main structure, the roof, the foundations, the service media and the common parts (both internal and external.)

12. The 'Services' are defined [Page 320] as: -

- i) '*cleaning, maintaining, decorating, repairing and replacing the Retained Parts...*'
- ii) '*lighting the Common Parts...*' (and cleaning/maintaining repairing etc. the lighting machinery/equipment therein)
- iii) '*cleaning, maintaining, repairing and replacing the furniture, fittings and equipment (if any) in the Common Parts*'
- iv) '*cleaning, maintaining, repairing, operating and replacing security machinery and equipment (if any) on the Common Parts*'
- v) cleaning '*the outside of the windows...*' of the Building
- vi) maintaining any '*landscaped and grassed areas...*' of the Common Parts

vii) '*cleaning, maintaining, repairing and replacing...*' the floor covering on the internal areas of the Common Parts, and

viii) '*...any other service or amenity that the Landlord may in its reasonable discretion (acting in accordance with the principles of good estate management) provide for the benefit of the tenants and occupiers of the Building.*'

13. The 'Service Costs' are defined [Page 321] as: -

i) '*all of the costs reasonably and properly incurred...*' (or estimated) of providing the services and complying with - '*...all laws relating to the 'Retained Parts'.*'

ii) '*The reasonably and properly incurred costs fees and disbursements of any managing agent or other person retained by the Landlord to act on the Landlord's behalf in connection with the building or provision of the Services, and...*'

iii) '*all rates, taxes and impositions and outgoings payable in respect of the Common Parts, their use and any works carried out on them (other than any taxes payable by the Landlord in connection with any dealing with or disposal of its reversionary interest in the Building.*'

14. The 'Service Media' are defined as: -

'All media for the supply or removal of heat, smoke, electricity, gas, water, sewage, energy, telecommunications, television, data and all other services and utilities and all structures, machinery and equipment ancillary to those media.'

15. The Lease provides that the service charge should be 'a fair and reasonable proportion' of the service charge costs. In practice costs have simply been divided equally between the 7 flats.

16. The Tenant covenants (under Schedule 4 paragraph 1) to pay the 'Rent' (ground rent) to the Landlord annually.

17. The Tenant further covenants (Schedule 4 paragraph 2) -

'To pay to the Landlord the Service charge demanded by the Landlord under Paragraph 4 of Schedule 6 by the date specified in the Landlord's notice.'

18. Under paragraph 3 the Tenant is obliged to pay the '*Insurance Rent.*'

19. Under paragraph 4.1 the Landlord covenants that, subject to the Tenant paying the service charges, he shall provide the services (as listed above) and he shall also (para 4.2) : -

'...serve on the tenant a notice giving full particulars of the Service Costs and stating the Service Charge payable by the Tenant and the date on which it is payable as soon as reasonably practical after incurring, making a decision to incur, or accepting an estimate relating to, any of the Service Costs.'

20. Paragraph 4.3 provides that the Landlord shall keep accounts, records and receipts relating to the Service Costs and that he shall permit the Tenant '*on giving reasonable notice*' to inspect the same.

21. The lease makes no provision for a reserve or 'sinking' fund, nor does it provide for reimbursement or credit for over-payments of service charges.

THE HEARING

22. The hearing of the matter took place by video on the 26th of August 2025. A bundle of documents - comprising 372 pages and including correspondence, reports, witness statements and relevant exhibits – was provided to the Tribunal and to the Respondent.

23. Mr. Pilgrim appeared in person as the Applicant, together with Ms. Sarah Parker-Clavier (formerly Sterne, leaseholder of Flat 5) as a witness. Mr. Lester appeared as Respondent in his capacity as a Director of both respondent companies.

24. At the commencement of the hearing the Tribunal outlined which matters raised by the Applicant were within their jurisdiction. It was explained to Mr. Pilgrim that some of his submissions (as to appointment of managers, Right to Manage companies and duty to pay accrued and uncommitted service charges, for example) could be the subject of other, separate applications under the Landlord and Tenant Act 1985 and/or the Commonhold and Leasehold Reform Act 2002.

25. There were also declarations and orders sought by Mr. Pilgrim which were not matters to be determined by the Tribunal at all. It was made clear that the Tribunal would be focussing only on the issue of whether or not the service charges for the years 2019 – 2025 were reasonable: were the costs reasonably incurred, and were the works which had been done in accordance with the terms of the Lease done to a reasonable standard?

APPLICANT'S CASE

26. The Applicant's case was set out in the application form, in his Witness Statement dated 28th July 2025, in his Skeleton Argument dated 13th August 2025 and in his oral evidence given (and submissions made) at the hearing.

27. Further items of correspondence, reports and documentation were also submitted and exhibited in the bundle, and a witness statement (dated 21st of June 2025) from Ms. Sarah Sterne was included.

28. As above, the Applicant set out the following matters for consideration in relation to the years 2024 and 2025:

a). '*Reasonableness of Service Charge Increase*'. Given the increase in annual service charges from £700-£800 per flat in 2019 to £2,264,96 in 2024, the Applicant requested the Tribunal to assess if this was reasonable.

b). Lack of Detailed Notice for Service Costs. It was said that the service charges were raised without specifying incurred costs or providing any breakdowns or estimates for the future. The Applicant sought a Tribunal decision on whether this omission aligned with lease terms.

c) Appropriateness of Engaging an External Property Management Company. The landlord engaged Silverkey Property Management in 2024 to run the building. The Tribunal was asked to determine if this decision was appropriate or if there should have been consultation with leaseholders.

29. In his Witness Statement, under the heading ‘Remedies sought’, Mr. Pilgrim requested (among other matters) that:

- the Tribunal direct that the increase in service charges from £767 to £2200+ was unreasonable and unjustified given the lack of accounts
- all future annual service charges be capped at £1,000, inclusive of insurance and sinking fund
- the Respondent repay £17,282 in ‘disallowed service charge costs’ (as identified in Exhibit JP2) and that these funds be paid to a new leaseholder-controlled management company, excluding Mr Lester from any directorship.

30. The Skeleton Argument essentially repeats the above points, but also refers to Mr. Pilgrim’s possible action for damages or compensation - ‘*...for financial loss caused by the refusal of a buyer’s mortgage due to the excessive service charges that are the subject of this application.*’

The Tribunal informed Mr. Pilgrim that it did not have power or jurisdiction to deal with all of these issues, nor did it have power to ‘cap’ future service charges.

a) Reasonableness of Service Charge increase.

31. In relation to the service charges for the years 2019 – 2023 inclusive, Mr. Pilgrim conceded that the annual amounts demanded were not in themselves unreasonable, but he challenged some elements of the service costs/expenditure. The invoices in those years totalled between £700 and £800 p.a., made up of £300 maintenance contribution, plus a share of the insurance premium and £250 for Ground rent (which was charged at the same time). He produced (with his Witness Statement) a document entitled ‘*Exhibit JP2*’: a list of ‘Disallowed’ or ‘unjustified’ invoices which, he said, represented costs of works which either related solely to flats owned by Mr. Lester or were the responsibility of individual leaseholders rather than being payable by the freeholder or management company (and thus recoverable through service charges).

Disputed Service costs.

32. It was argued by the Applicant that (for example) accountancy fees, the costs of multiple ‘drain flushes’, pest control, light fittings (within the flats), replacement of water heaters and macerator pumps (ditto) and roof repairs to the roof above Flat 2 should not have been regarded as ‘service costs.’

33. The Tribunal’s attention was drawn to a number of invoices [exhibited in the bundle at Pages 25 – 262] which were disputed, in particular the following: -

- **D.B Heating Ltd.** [Pages 172, 173, 177 and 178] – invoices for Flats 1 and 4 (for works unspecified) on the 18th of December 2022 at a cost of £330.50 per flat, and on the 5th of January 2023 for £330.51 per flat.
Mr. Pilgrim submitted that these were ‘flat-specific’ works which should have been paid for by individual leaseholders.
- Home Repair Network [Page 225] – invoice dated 19th of April 2025 for £799.99 for ‘replacement of the bottom section’ of the circular frame of the **stained glass window**, which had been blown out during a storm.
Mr. Pilgrim claimed that the insurance company refused to pay for replacement of the window because the frame was rotten after years of poor maintenance. Therefore he argued that the cost should not have been passed on to the leaseholders.
- Mike Gibbons Associates – **Accountancy** fees [Pages 66, 70, 111, 138 and 171] invoices for £3,145, £277, £397, £289 and £301 respectively.
Mr. Pilgrim submitted that these fees represented work on Mr. Lester’s personal and company accounts unconnected to the Chapel, and the costs should not have been paid by leaseholders.
- Patrick E. V. Brookes – Replacement of **under-sink water heaters** in Flats 3 and 7 in 2021 [pages 102 and 119] at a cost of £875 each.
Mr. Pilgrim argued that these heaters were internal equipment and they did not count as ‘service media’ which were the responsibility of the landlord, so costs of repair and replacement should not be reclaimed by way of service charges.
- Saniflo Liquid Engineering and Saniflo Services Cornwall – [Pages 61 and 62]: invoices both dated 18th November 2018 for installation of a **toilet** (address unspecified) at a cost of £786.71, and repairs to a **pump and macerator** (at Flat 1) at a cost of £225.
Mr. Pilgrim stated that, back in 2018, several of the flats belonged to Mr. Lester and were let to tenants through Mansbridge Balment estate agents. He submitted that these items were flat-specific expenses and should not have been regarded as ‘service costs.’
(Note: these costs were outside the period under consideration by the Tribunal.)
- RGJL Design – [Page 229]: invoice for £200 for a **site visit and report** dated 3rd May 2025.
It was agreed that this was an invoice from Mr. Lester, acting in his professional capacity as a chartered engineer. Mr. Pilgrim submitted that it was improper for Mr. Lester to be paying himself as part of the ‘service costs.’
- SBP Carpentry – [Page 123] Invoice dated 9th June 2021 for ‘Flat 3 – repairs to **staircase** - £510’. Mr. Pilgrim disputed whether this was an external staircase and argued that it should have been paid for by the individual leaseholder.

- Peter Coupland – [Page 255] Invoice dated 30th June 2024 for ‘*Work to repair roof over bathroom. Including me(?) insulation and extractor fan...*’ at a total cost of £2,620.00.

Mr. Pilgrim claimed that this bill was for repairs to Mr. Lester’s own flat, and should not be charged to leaseholders. If, however, it was a genuine ‘service cost’, then Mr. Pilgrim submitted that the Respondent landlord could not recover the full cost of the works from leaseholders because he had not followed the Section 20 consultation procedure under the 1985 Act.

34. Taking these ‘disallowed’ invoices into account, and bearing in mind the challenge to the fees for Silverkey (as below), it was submitted that the significant increase in service charges from 2024 onwards (from £700-£800 per flat in 2019 to £2,264.96 in 2024) was excessive and unreasonable.

b) Lack of detailed notice, Service charge accounts, estimates and costs breakdown.

35. The Applicant submitted that he had never received proper service charge accounts, or particulars of expenses or a breakdown of the service costs as required by the Lease, nor had there been estimates of future expenditure.

36. Ms. Parker-Clavier stated that she had never received any proper service charge statements, and although in April 2025 she had written to Mr. Lester and asked for copies of accounts and invoices in accordance with the lease and with Sections 21 and 22 of the 1985 Act, these were never provided. There was a lack of any clarity as to the finances of the building and it was not possible to see whether all leaseholders (including Mr. Lester himself) were contributing to the running and maintenance costs.

37. As a result, Ms. Parker-Clavier had made her own application to the Tribunal for a determination as to reasonableness of service charges in respect of the years 2022 – 2025. The application is still pending and the fee has yet to be paid.

c) Management fees and appointment of managing agent.

38. In addition to these disputed costs, the Applicant Mr. Pilgrim challenged the level of fees paid to Silverkey Management. He accepted that no management fee was charged for the period from 2017 – 2024, and he accepted that the Lease gave power for the landlord to appoint a managing agent to assist him, but he considered that there should have been consultation with leaseholders before an agent was appointed.

39. The Silverkey invoices [e.g. Page 253] were for a management fee of £269.50 per month, which equates to £3,234 per annum. Mr. Pilgrim told the Tribunal that, although he was not sure what an appropriate figure would be for managing a block of this type, the company Remtech had quoted a figure of £2,000 per annum for managing the whole building – once essential remedial works had been carried out.

40. Ms. Parker-Clavier gave evidence that purchasers of the flats were invited to join GCMC as leaseholder-directors from the outset, but she had declined the invitation. She hoped that in future they would be able to follow the 'Right to Manage' procedure with a new leaseholders' management company who would be transparent and take on the necessary maintenance and repairs at a much lower cost. At some stage in the future she considered that they might also look into acquiring the freehold via collective enfranchisement.

41. However, in the meantime Ms. Parker-Clavier agreed that a reasonable fee for managing agents would be in the region of £2,000 per annum for the whole building.

42. Ms. Parker-Clavier stated that the 'breakdown' of the 2024 budget for the whole building (which was not exhibited in the bundle) included £4,500 for 'maintenance' and £1,000 for 'electrical repairs and lighting', but she had seen no evidence of any such works taking place. She had challenged the fees demanded by Silverkey during their time as managers in 2024/2025 but had received no reply.

Repairs and Maintenance.

43. The Applicant claimed that little or no maintenance had been carried out by the landlord during the relevant period, and he stated that it was impossible to see what the service charge monies had been spent on.

44. An estimate from Remtech, dated the 1st of August 2025, was produced and exhibited at Page 302 of the bundle. This estimate listed proposed works including scaffolding the building, repairing and redecorating the external rendered walls, repairing window frames, replacement of fascia boards and works to the guttering. It also referred to the wooden 'trusses' in the 'internal courtyard', which can be seen in the David Balment photographs at Page 269 of the bundle. Repairs and renewal of these trusses appeared to represent a substantial part of the overall job description, and the estimated cost of carrying out all the works was £20,160.

45. Ms. Parker-Clavier produced a 'Flatbuyers Survey Report' by David Balment F.R.I.C.S, dated 22nd of August 2022 [Page 265 of the bundle] which she had obtained prior to purchasing her flat. The report highlighted a number of concerns over the maintenance and condition of the building, stating that the external walls required immediate redecoration, there was wood rot to some window frames, and the roof (misplaced ridge tiles), fascias and rainwater goods needed attention.

46. Ms. Parker-Clavier told the Tribunal that none of these issues had been addressed in the 3 years since the report, and she felt sad at the decline in the state of the building.

Electricity bills and electrical works.

47. Mr. Pilgrim challenged a number of the invoices for electrical works as above, saying that installation and replacement of kitchen lights etc. was clearly an expense for individual leaseholders.

48. British Gas are the suppliers of electricity for the building and numerous invoices were included in the bundle of exhibits. Both Mr. Pilgrim and Ms. Parker-Clavier submitted that the electricity bills for the 'Retained parts' were too high, and Ms. Parker-Clavier claimed that external lights had been left on continuously despite her request for a sensor to be installed.

Freehold

49. Concern was also expressed as to the transfer of freehold ownership and the state of the GCMC accounts. The Applicant wanted to ensure that Mr. Lester remained liable and responsible for the outstanding maintenance and financial issues rather than simply passing them on to someone else.

50. Ms. Parker-Clavier also queried whether the freehold could be transferred from one company to another without reference to the leaseholders, and she was concerned as to whether any service charge funds had been passed on to the new landlord. In her statement [at Page 23] she confirms that Paul Kearton of Silverkey Management Company told her that £5,501.46 was transferred to GCMC on the 3rd of March 2025.

Case law.

51. Mr. Pilgrim drew the Tribunal's attention to legal precedents which he said supported his arguments, namely the cases of: -

Daejan Investments Ltd v Benson [2013] UKSC 14, in which the Supreme Court confirmed that failure to comply with statutory consultation requirements under Section 20 of the 1985 Act generally makes costs irrecoverable, unless the landlord shows no relevant prejudice, and

Waaler v Hounslow LBC [2017] EWCA Civ 45, in which the court stated that landlords must balance the necessity of works and the financial impact on leaseholders.

Conclusion

52. In conclusion, Mr. Pilgrim submitted that there had been a lack of transparency and fiduciary care on the part of the Respondent, and the property had been poorly maintained throughout. He argued that the recent service charges of £2,260+per annum were excessive and unreasonable, and suggested that a figure of £900 per flat p.a. would be a reasonable amount, allowing £300 for maintenance, £500 for insurance, and £100 (or £150) for a sinking fund.

APPLICANT'S SUBMISSIONS AS TO COSTS

53. The Skeleton Argument alleges that the Respondent has acted unreasonably in a number of ways, including his alleged failure to provide proper service charge accounts and lack of transparency over the years, misapplication of service charge funds, failure to comply with Tribunal Directions and failure to mediate. It was submitted by Mr. Pilgrim that, under Rule 13 of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, a costs order should be made against the Respondent.

54. The Applicant sought compensation for time spent in preparing the bundle ('...which exceeds 100 hours of work'), as well as reimbursement of incidental costs of the proceedings (including £100 printing costs), an order that the Respondents reimburse the fees for Land Registry search fees totalling £105 (incurred to ascertain ownership of the individual flats), and an order that the Respondent reimburse the Applicant's Tribunal fees totalling £330.

55. Mr. Pilgrim also sought 'Section 20C + para 5A Sch.11' orders to prevent recovery of litigation costs via service charges as above.

RESPONDENT'S CASE

56. Mr. Lester's case was set out in his Statement of the 16th July 2025 (with supporting documents and exhibits), and in his oral evidence and submissions at the hearing.

a) Reasonableness of Service Charge Increase.

57. The Respondent Mr. Lester told the Tribunal that he had been the designer and developer (through his construction company Rowan Homes Limited) who had originally bought the chapel and converted it into apartments, having done the same with a number of other old buildings which he had developed in a similar way.

58. In the early years (2017 onwards) some of the flats were let (through Mansbridge Balment estate agents) to Local Authority tenants, but eventually they were all sold on long leases to private owners. He had retained ownership of Flat 4 only.

59. Up until 2024 Mr. Lester had managed the building himself without the assistance of an agent, and he described it as the Chapel 'piggybacking' on Rowan Homes for free management. He said that he had obtained much of the information for the Tribunal from Rowan Homes' records because the service, insurance, ground rent charges and bill payments were: - '*allocated on an ad hoc basis...*' until Silverkey became involved in 2024.

60. The Respondent's evidence was that during the years from 2017 – 2024 Rowan Homes paid all the bills, and the service charge payments from leaseholders at the Chapel (together with income from other properties) all went into the Rowan Homes account.

61. Effectively, Mr. Lester submitted that he had looked after the building throughout the early years, spending a considerable amount per year on maintenance etc. but not always claiming for it. He said that Rowan Homes had contributed more to the Chapel than anyone else.

62. Mr. Lester said that the service charges for the years 2019 – 2024 had been kept low, as he had added up the invoices and divided the total by 7, which gave a reasonably accurate figure. However, in some instances the total contributions had not been sufficient to pay all the costs for that year. In order to illustrate this point Mr. Lester produced a document entitled: '*Summary of service charge accounts and supporting invoices/receipts - (2018 included as 2019 incomplete)*', which set out the basic figures from 2018 onwards.

63. The details given were as follows: -

- In 2018 the service charge was **£511.27** per flat (which included £211.27 insurance) but the invoices showed a total expenditure of £4,198, which equates to £599 per unit. This meant that there was a shortfall.
- In 2019 [invoice/demand exhibited at Page 64 of the bundle] the service charge was **£511.27** including insurance. The invoices in this year totalled £3,068, which equates to £438.28 per unit. Therefore the leaseholders were making an overpayment.
(Note: The ground rent of £250 was also demanded at the same time, which meant that the total came to £761.27.)
- In 2020 [invoice/demand exhibited at Page 80 of the bundle] the service charge (including insurance) was **£511.27** and the invoices totalled £3,560, which equates to £508 per unit. Again there was a small overpayment.
- In 2021 the service charge was **£519.70** and the invoices totalled £4,806.36, which equates to £686.62 per unit. This therefore represented a significant underpayment.
- In 2022 [invoice/demand exhibited at Page 151 of the bundle] the service charge was **£519.70** and the invoices totalled £4,703, which equates to £671.86 per unit. Once again there was a significant shortfall.
- In 2023 [receipt at page 197 of the bundle] the insurance had increased and the service charge was **£769.74**. It was said that the invoices totalled £6,128.56, which equates to £875.50 per unit. This represented another significant shortfall.
- In 2024 the service charge was **£2,264.96**, and it was said that the invoices totalled £11,064.13 including the management fees for Silverkey.
(Note: A one-seventh share of the expenses would have been £1,580.59, but as there is no service charge statement or breakdown of costs it is not possible to say why the demand was higher.)
Mr. Pilgrim did not pay his service charge at all in that year.

- In 2025 the service charge was £1,132.48 for the half year to July 2025. The invoices for that 6-month period totalled £617, which equates to £88.14. per unit.

(Note: there is no service charge statement or breakdown of costs.)

Mr. Pilgrim had not paid this service charge.

64. Mr. Lester confirmed that regular outgoings at the Chapel were for insurance, electricity, window cleaning and pest control in addition to general costs of repairs and maintenance.

65. Mr. Lester submitted that the service charges had been reasonable in the years from 2019 to 2024, and the substantial increase was then necessary because when Silverkey were appointed in May 2024 to manage the building for GCMC, their fees had to be paid as well as all the other maintenance costs. A number of works were commissioned in that year.

Disputed service costs

66. Mr. Lester told the Tribunal that from 2022 onwards no Ground rent was charged, because new purchasers were only obliged to pay a 'peppercorn rent' and he wanted the system to be fair for all residents.

67. As for the invoices challenged by Mr. Pilgrim, the Respondent's case was as follows:

- In respect of **Accountancy** costs, Mr. Lester stated that the invoices at Pages 70, 111, 138 and 171 of the bundle were all specifically for the preparation of annual accounts for Companies House from the dormant GCMC. These costs were payable as 'service costs' under the Lease, but the invoice for £3,145 at Page 66 was clearly for Rowan Homes and should not have been charged.
- **Under-sink water heaters:** Mr. Lester gave evidence that there were problems with the particular type of under-sink water heater which had been installed in the flats, as they were later judged to be 'not compliant' with safety regulations, and therefore he had arranged for them to be replaced. He thought that all the heaters had been replaced, but when questioned by Mr. Pilgrim he conceded that the one in Mr. Pilgrim's flat had not been included. It was his view that this was a freeholder responsibility which counted as a 'service cost' and could be recovered via service charges, but he said that he would be willing to accept that he may have been wrong if the Tribunal thought otherwise.
- **Drain flush:** Mr. Lester explained to the Tribunal that the drainage system at the chapel had a pipe which ran along the external wall of the building to the mains. He stated that there had been several instances of blockages resulting from people putting unsuitable items down the drain, and this had caused leaks and damage to some of the flats: Flats 4 and 5 had had their laminate flooring destroyed by flooding. As a result, regular drain flushes were necessary to keep the system working properly for the benefit of all residents. It was Mr. Lester's view that as the pipe in question was an external 4" pipe, these were properly-

incurred costs of complying with his landlord's responsibilities.

- **RGJL Design:** Mr. Lester gave evidence that, because of all the issues raised by the Applicant as to disrepair and alleged poor maintenance, he was worried about the state of the building, which he had not visited for a while. He had therefore undertaken an inspection of the property in his capacity as a chartered engineer, intending to prepare a report for GCMC. It was submitted that he had quite properly charged a professional fee in case there was any 'comeback' on the survey which he had carried out.
- **Staircase:** in relation to the SBP Carpentry invoice [Page 123] for repairs to the staircase of Flat 3 at a cost of £510, Mr. Lester accepted that this was an internal staircase and the cost should not have been included in the service charge.
- **Roof:** Mr. Lester gave evidence that the roof as a whole was the responsibility of the freeholder landlord under the Lease, regardless of which flat was below the area in need of repair. The invoice from Peter Coupland was for necessary repairs to the main roof.
- **Pest control:** Contrary to Mr. Pilgrim's assertion, the Respondent stated that the cost of dealing with a rat problem was not 'flat-specific' and was for the benefit of all leaseholders. He had retained a company to make regular visits and maintain appropriate traps around the communal areas, and the list at Pages 231 and 232 of the bundle sets out the number of visits made and the costs during the period in question. Mr. Lester said that the problem recurred as soon as Silverkey (without consulting him) decided to cancel the contract. Overall it was submitted that this was a valid freeholder cost to be passed on by way of service charges.
- **Lowe Electrical:** Mr. Lester said that many of the invoices from electricians related to mandatory EICR checks, which (he said) were clearly the responsibility of the landlord.

However, in relation to the invoices for installation of lights in some of the flat kitchens in 2022 (invoices at pages 146 and 156), Mr. Lester conceded that these costs should have been payable by the individual leaseholders and should not be passed on by way of service charges.

68. No comment was made by the Respondent as to the Saniflo invoices from 2018, which were outside the period under consideration.

69. There was also no comment from Mr. Lester as to the refusal of the insurance company to pay for replacement of the circular window, or as to the DB Heating invoices from 2022.

b) Lack of Detailed Notice for Service Costs: accounts, estimates and breakdown.

70. Despite the Direction of Judge Whitney dated 16th May 2025 [Page 5 of the bundle, Paragraph 24 of the Directions] that the Respondent must file service charge accounts by the 13th of June 2025, Mr. Lester had not done so. Instead he supplied copies of

supporting invoices and receipts from the years 2018 - 2025, with the brief typed list (*Summary...*' as above, Para. 62) of service charges demanded and paid during those years.

71. This list sets out the difference between each payment and the figure for a 1/7th share of the total expenditure in that particular year, as evidenced by the invoices and receipts.

72. Mr. Lester told the Tribunal that during the years from 2016 onwards Mike Gibbons Associates were employed as accountants for Rowan Homes generally, and they were also specifically instructed to manage the GCMC accounts.

73. Mr. Lester stated that he had hoped to produce a spreadsheet of the service charge accounts, but it '...was not available in time...' and he gave evidence that 'Hayley' (at Mike Gibbons Associates) was currently working on the preparation of full accounts for GCMC for the years 2024 and 2025, but she had not yet completed them. This was partly because of the difficulty in getting information from Silverkey, and some of the documentation had only been received since the Case Management hearing.

74. Mr. Lester acknowledged that no service charge accounts at all existed for the period from 2017 - 2024, and he agreed that he should have kept detailed accounts from the outset and provided them to the leaseholders as required by the Lease.

c) Management fees and appointment of managing agent.

75. As above, Mr. Lester pointed out that he had saved the leaseholders a considerable amount of money by doing the management himself in the early years, but he then decided that he needed help.

76. Mr. Lester's case was that it was reasonable for him to appoint a managing agent (as he was entitled to do under the Lease) because the job of running the Chapel was too much for him alone and he 'didn't have a clue' how to manage a multi-occupancy building. Important works needed doing and he had hoped that Silverkey would organise everything efficiently for the benefit of all leaseholders, but in fact he was disappointed in their performance and felt that they had done very little.

When they resigned in February/March 2025 he had to get service charge monies back from them.

77. Mr. Lester told the Tribunal that he had done some research into local agents, but he had had great difficulty in finding any firm willing to take on the building. Silverkey appeared to be happy to do the job and they did deal with some matters, including arranging for the roof repairs in June 2024, but as soon as the stained-glass circular window blew out in the storm of early 2025 he said that they 'pulled the plug' and resigned. Mr. Lester did not comment on what a fair and reasonable management fee

might be.

Repairs and Maintenance.

78. Mr. Lester agreed that more work by way of repairs and maintenance was needed. As to the open-air trusses above the courtyard, he explained that these were cosmetic only and not structural. They could be removed if required, and therefore expensive repairs to the exposed timbers (as referred to by Remtech) were not strictly necessary.

Electricity bills and electrical works.

79. Mr. Lester gave evidence that there were about 5 different areas of the common parts where lighting was provided. Most of them had 'push and release buttons' to prevent wasted electricity, and low wattage LED lights were used wherever possible. There was an infra-red sensor in the car-parking area, but it had been flooded more than once after heavy rain and had had to be repaired several times. Overall Mr. Lester submitted that the electricity costs (at approximately £600 p.a.) were reasonable.

Freehold

80. Mr. Lester told the Tribunal that the freehold was transferred to GCMC in May 2024 at the same time as Silverkey were engaged to manage the building on their behalf, but he remained (and intended to remain) involved as a director of GCMC.

81. Rowan Homes took a 'loss' of about £12,000 in the process of the transfer, including legal costs. He had been under the impression that Seldon's Solicitors, who dealt with the transfer, had informed leaseholders.

Consultation requirements

82. Mr. Lester told the Tribunal that he was aware of the legislation and the need for consultation with tenants or leaseholders before major works were undertaken (under Section 20 of the 1985 Act as above). He stated that the roof repair works (the total cost of which, at £2,620, exceeded the relevant figure of £250 per flat) had been urgent and there was no time for consultation, but he had not made an application to the Tribunal for dispensation.

Conclusion.

83. In conclusion Mr. Lester pointed out that the Applicant's proposal, for a total service charge of £900 per flat per annum, would be insufficient. Mr. Pilgrim had suggested that only £300 of that would be allocated for maintenance and repairs, amounting to a total annual budget of £2,100 p.a. for the whole building. Given the evidence of invoices and expenses over the six years from 2019 – 2025, Mr. Lester stated that this would be unrealistic and inadequate.

84. In all the circumstances, apart from the items of expenditure which he had conceded were unjustified, Mr. Lester submitted that the service charges during the relevant years were reasonable.

RESPONDENT'S SUBMISSIONS AS TO COSTS

85. Mr. Lester stated at the close of the hearing that he did not propose to reclaim any administration expenses or costs of the proceedings from the leaseholders by way of service charges, and therefore there was no need for Mr. Pilgrim to pursue his applications under Section 20C of the 1985 Act and Paragraph 5 of Schedule 11 as above.

86. As for Mr. Pilgrim's application for costs under Rule 13, Mr. Lester contended that he had acted reasonably throughout, and he did not feel that he should be penalised in costs.

87. He said that he had not agreed to a mediation meeting with Mr. Pilgrim (and Ms. Sterne) because of the way that they had approached the Tribunal. There were also 7 leaseholders of flats in the building, and he felt that it was wrong to negotiate only with some of them.

TRIBUNAL FINDINGS

88. Firstly, the Tribunal found that the absence of any proper service charge accounts meant that it was extremely difficult to determine what exactly was being demanded, in respect of what costs, and what was being paid by the Applicant each year during the relevant period.

There is some force to the Applicant's argument that there was a serious lack of clarity and lack of information (as to expenditure) to support the service charge demands.

89. The date of the service charge invoices also varied from year to year, although to some extent it was determined by the date when the insurance fell due for renewal (i.e. in August).

90. The Tribunal found that the Respondent Mr. Lester had failed to comply with his obligations under Schedule 4 of the Lease, in that he failed to provide any timely service charge notices giving particulars of the service costs in each year.

Reasonableness of Service Charges 2019 - 2024.

91. The incomplete documentation (three service charge 'invoices' and one '*receipt for leasehold payment*' [at pages 64, 80, 151 and 197 respectively]) appears to confirm

only that the '*annual maintenance contribution*' for Flat 6 was £300 per annum from 2019 until 2023 inclusive.

92. The insurance contribution for Mr. Pilgrim was just over £200 per annum, (as supported by invoices from Phoenix Insurance) and no issue is raised by him as to this particular element of the service charges.

93. The ground rent (up until 2022) of £250 per annum was demanded at the same time as the service charges, but this figure is outside the jurisdiction of the Tribunal and therefore is not included in the determination.

94. As the monies from Ebenezer Chapel were mixed up with monies from other properties in the Rowan Homes account, rather than being kept correctly in a separate bank account, it is impossible to see whether the income from the chapel matched the outgoings, or whether there was any balance remaining each year by way of a 'sinking' or reserve fund for future expenditure.

95. The figures for total service charge income as against total invoices each year, as set out in Mr. Lester's list of '*Year by year expenditure v. service charges for Apartment 6*' at the end of his witness statement [Pages 20 - 21], were not challenged by Mr. Pilgrim, save for his submissions as to which expenses in each calendar year should be 'disallowed'.

96. However, because of the way that Mr. Lester ran the accounts and the business, in many instances although it was clear that invoices had been paid, it did not necessarily follow that the cost had been passed on to the leaseholders. The Respondent's calculations in his '*Summary*' [as above, Pages 26 -27], showing shortfalls in 2018, 2021, 2022 and 2023, tend to confirm this anomaly.

Electricity bills.

97. Although the total electricity bills (at approximately £600 per annum) were on the high side, all charges were supported by invoices and the Tribunal did not find that these costs were unreasonable in the circumstances.

98. As to the individual years in question, the Tribunal made findings (highlighted in bold type) as follows: -

For the year 2019:

99. The payment for Flat 6 service charge was £511.27, comprised of the 'maintenance contribution' of £300 plus £211.27 for insurance. Mr. Lester calculated that the total invoices added up to only £3,068 for that year, so there was an apparent overpayment of £72.98 per flat, but the Respondent's evidence was that some invoices from 2019 were missing. There are only two invoices in the bundle: -

- Phoenix Insurance [at Page 65] for £1,478.92, and
- Mike Gibbons Accountants [at Page 66] for £3,145.

There was no dispute about the insurance figure, and the Applicant was charged the correct amount for his one-seventh share of the premium.

100. The Tribunal found that the £3,154 accountancy fee in 2019 was in respect of Rowan Homes business overall rather than specifically for GCMC, therefore it was not a valid service cost and the leaseholders were not obliged to contribute to it.

101. However, even if the accountancy fee was not payable, it was not clear that the leaseholders had been charged for it at all. A one-seventh share of that particular Mike Gibbons invoice would have been £450, and the Applicant had only paid £300 in total.

In the circumstances the Tribunal found that a maintenance contribution of £300 per unit for a block of this nature, given the landlord's obligations for management, maintenance and repair under the Lease, was reasonable.

For the year 2020:

102. The payment for Flat 6 service charge was £511.27, comprised of the 'maintenance contribution' of £300 and £211.27 for insurance. Mr. Lester calculated that the invoice totals for that year added up to £3,560, and so there was an apparent overpayment of £3.27 per unit.

103. Mr. Pilgrim challenged the following: -

- £277 fee for preparing the accounts of the dormant GCMC,
- Lowe Electrical Ltd. visits for EICR inspection, and
- Total Boiler Solutions invoice re: inspecting the under-sink water heater in Flat 7.

104. The Tribunal found that the first two items were both properly claimed as service costs, but the under-sink water heater bill [at Page 93] was a leaseholder expenditure and should not be regarded as a 'service cost' recoverable by way of service charges.

105. However, the disputed invoice from Total Boiler Solutions was for £40 only, and a one-seventh share of that would be £5.71.

In the circumstances the Tribunal found that the £300 maintenance contribution for this year was reasonable and no deduction should be made.

For the year 2021:

106. The payment for Flat 6 service charge was £519.64, comprised of the 'maintenance contribution' of £300 and £219.64 for insurance. Mr. Lester calculated that the invoice totals for that year added up to £4,806.36, and there was a shortfall of £166.92 per unit.

107. Of the invoices exhibited, Mr. Pilgrim challenged the following: -

- Mike Gibbons accountancy fees
- AB Pest solutions charges
- Proflow Southwest invoice for £60 to repair ‘scuffs’ to the doorway of Flat 7 [Page 106].
- Proflow Southwest invoice for ‘Drain flush’ [Page 115]
- Patrick E.V.Brookes replacement of under-sink water heater in Flats 3 [Page 119] and 7 [Page 102] at a cost of £875 each and
- SBP Carpentry for £510 to repair the staircase of Flat 3 [Page 123].

108. The Tribunal found that the accountancy fees, the pest control expenses and the ‘drain flushing’ costs were all valid landlord’s expenses and it was reasonable for the Applicant leaseholder to contribute to them.

109. The under-sink water heaters and the staircase repairs were found to be costs for the individual flat-owners and were not recoverable by way of service charges. Other invoices for this year were not disputed.

110. Mr. Pilgrim paid £519.64 (which was said to be less than his share of the total expenditure, as a one-seventh of the expenses would have been £686.62).

However, the ‘disallowed’ element of the service charge for this year totalled £2,320, which when deducted from the given figure of £4,806.36 expenses leaves an allowable amount of £2,486.36. This equates to £355.19 per flat.

The £519.64 service charge for this year was therefore held to be unreasonable, as a one-seventh share of the total allowable expenditure would be £355 (rounded down to the nearest pound).

For the year 2022:

111. The payment for Flat 6 service charge was £519.70, comprised of the ‘maintenance contribution’ of £300 and £219.70 for insurance.

Mr. Lester calculated that the invoice totals for that year added up to £4,703, and he said that there was thus a shortfall of £156.16 per unit.

112. Mr. Pilgrim challenged the following: -

- Accountancy fees
- Lowe Electrical invoice [Page 146] £159.63 for works inside Flat 4
- Lowe Electrical invoice [Page 156] £209.75 for works inside Flat 5
- 4 x DB Heating invoices [Pages 173,173,177 and 178], total costs £1,322.02 for Flats 1 and 4.

113. The Tribunal found that the Lowe Electrical and DB Heating invoices (total £1,691.4) were not allowable ‘service costs’ within the meaning of the Lease. The allowable costs for that year would be only £3,011.60.

The service charge of £591.70 this year was therefore found to be unreasonable. The allowable expenses amounted to £3,011.60, and Mr. Pilgrim's one-seventh share of that would be £430 (rounded down to the nearest pound).

For the year 2023:

114. The payment for Flat 6 service charges was £769.74, which appears to be comprised of a maintenance charge of £343.92 and £425.82 for a one seventh share of the insurance [as per Page 201]. The total figure for service expenditure was given as £6,128.56 for this year, therefore Mr. Lester stated that a one-seventh share would be £875.50 and there was a shortfall of £105.76 per unit.

115. Mr. Pilgrim challenged the following: -

- A.B. Pest Solutions.

116. The Tribunal found (as above) that pest control was a legitimate landlord's expense and could be reclaimed through service charges. No issue was taken with the other elements of the charge.

The Tribunal found that the total allowable expenditure was £6,128.56 for this year, and the service charge should be £875 (rounded down to the nearest pound).

For the year 2024:

117. The service charge was £2,264.96 for Flat 6, but no evidence was produced as to the apportionment between insurance, management fees and maintenance contribution.

118. Given that the Silverkey management fee appeared to be £269.50 per month, a one-seventh share of the cost for the eight months from the time of their appointment in May 2024 to December that year would be £308.

119. The Phoenix insurance premium for 2024 was £2,857.55 [Page 246] so Mr. Pilgrim's share of the insurance for the year would be £408.22.

120. Mr. Lester stated that the total invoices for that year (including management and insurance) were £11,064.13, and a one-seventh share of that would be £1,580.59.

121. Mr. Pilgrim challenged the following: -

- the management fees payable to Silverkey, and
- the cost of roof repairs in June 2024 at £2,620 [Peter Coupland, Page 255] and further repairs to the roof, gutters and circular window in December 2024* [M. H Batten, Pages 238 – 240]
- The absence of consultation in respect of these *works in June.

122. The Tribunal found that it was reasonable for Mr. Lester to appoint a managing agent in 2024. The leaseholders had benefited from savings during the years that Mr. Lester had managed the building himself, and the appointment was in accordance with the terms of the Lease. There was no requirement to consult leaseholders before making the appointment.

123. The Tribunal also accepted Mr. Lester's evidence that he had done his best to create a pleasant environment where people wanted to live, and that he intended that the leaseholders should run the property themselves as they wished through the GCMC.

It was not clear why Ms. Parker Clavier and Mr. Pilgrim had declined the offer to join the company.

124. The Tribunal further found that it was reasonable for the service charges to increase significantly in 2024, partly because professional management was required (with associated fee costs) and partly because there were outstanding maintenance and repair works which needed to be addressed.

125. As for the level of management fees, the Tribunal noted the proposal from Remtech that they could manage the building for £2,000 per annum, which would represent a £285.71 contribution from each leaseholder. However, the Tribunal also accepted the evidence from Mr. Lester that it had been difficult for him to find any agent willing to take on the contract.

126. In the circumstances of the case (with an absence of professional management over the previous 7 years) the Tribunal found that the Silverkey charges in 2024 were costs 'reasonably incurred'.

127. As to the failure to follow the Section 20 consultation procedure, the Tribunal found that the total cost of the Peter Coupland roof-works clearly exceeded the statutory limit of £250 per flat. If the Respondent had applied to the Tribunal for dispensation with the consultation requirements, there would have been careful consideration of the urgency of the repairs and the Tribunal would have looked at the question of any prejudice to the leaseholders (in accordance with the *Daejan case*) as a result of the failure. However, as there was no consultation and no application for dispensation, the total amount recoverable through service charges was limited to £1,750.

Therefore, with the reduction in the amount payable for roof repairs, the total allowable expenses in the year were £10,244.13. A one-seventh share of that sum would be £1,463.

The Tribunal found that a reasonable amount for service charges for Flat 6 in this year would be £1,463 (rounded down to the nearest pound).

For the year 2025:

128. The service charge demand for the first 6 months was £1,132.48. Mr. Lester produced invoices [Pages 222 to 237 of the bundle] up to May 2025 which he said totalled £344.70, and he stated that the anticipated expenditure for the remainder of the year (excluding management fees, as Silverkey had resigned in March 2025) would be £10,207.05, or £1,458.15 per flat.

129. Mr. Pilgrim challenged the following: -

- RGJL Designs invoice
- Home Repair Network repairs to the circular window

130. The Tribunal found that it was reasonable for Mr. Lester to conduct a survey of the building, in the particular circumstances, and reasonable for him to charge the management company for his time.

131. As for the cost of replacing the circular window: the Tribunal found that the £799.99 invoice from Home Repair Network Limited [Page 225] was a valid service cost payable by the leaseholders. There is no evidence as to whether the cost would have been greater or less if the frame had been replaced earlier, and maintenance of the window is within the landlord's obligations, costs of which are reclaimable by way of service charges.

132. As to the 'anticipated expenditure' for the second half of the year, the Tribunal found that there was no evidence to support the figure given by Mr. Lester.

**The Tribunal found that a total demand of £2,590.63 (£1,132.48 + £1,458.15) for services in 2025 was unreasonable.
On the basis of the previous year's figures, a reasonable figure for 2025 would be £1,600, allowing for inflation and the increase in the cost of living.**

DETERMINATION AND CONCLUSION

133. The Tribunal determines as follows: -

• 2019

The service charge of £511.27 for Flat 6 is determined as reasonable and payable in full as demanded.

• 2020

The service charge of £511.27 for Flat 6 is determined as reasonable and payable in full as demanded.

• 2021

A service charge of £355 is determined as reasonable, and the balance of £164.70 should be credited to Mr. Pilgrim's account going forward.

- **2022**

The service charge is determined at £430. As Mr. Pilgrim paid £591.70, the overpayment of £161.47 should be credited to his account going forward.

- **2023**

The service charge of £769.74 was less than a one-seventh share of the total expenditure. The service charge for this year is determined at £875.

- **2024**

A one-seventh share of the total allowable expenses (as supported by invoices) would be £1,463.25. It was determined that a service charge of £1,500 is payable.

- **2025**

The service charge is determined at £1,600 for the current year.

COSTS

134. In order to exercise its discretion to award costs under Rule 13 as above, the Tribunal must find that a party (in this case Mr. Lester) has acted unreasonably in '*bringing, defending or conducting the proceedings*'.

136. Whilst the failure to keep proper service charge accounts and provide information to leaseholders was clearly in breach of his obligations as a landlord, and not in accordance with the relevant RICS guidelines, the 1985 Act and the terms of the Lease, this conduct was not part of the 'proceedings' for the purposes of Rule 13.

137. The Tribunal did find that Mr. Lester had failed to comply with the Directions of May 16th 2025 and this failure had caused some difficulties to the Applicant in preparing his case (and to the Tribunal in making their determination), but there was no evidence of malice or deliberately vexatious behaviour such as to justify a financial penalty.

138. Mr. Lester had acted reasonably during the conduct of the case, and he made a concession early on that he would not be looking to reclaim any of the costs or administration charges from the leaseholders.

139. The Tribunal found that both parties had valid points to make on the issue of service charges, and the figures determined were divided between those where the Applicant's argument prevailed and those where the Respondent's submissions were reasonable.

140. In conclusion the Tribunal determines that, because of the need for formal intervention in this case, the Respondent Mr. Lester shall reimburse the Applicant Mr. Pilgrim for the Tribunal fees of £330.

141. No other Order is made as to costs.

RIGHTS OF APPEAL

1. A person wishing to appeal this decision to the Upper Tribunal (Lands Chamber) must seek permission to do so by making written application by email to rpsouthern@justice.gov.uk to the First-tier Tribunal at the Regional office which has been dealing with the case.
2. The application must arrive at the Tribunal within 28 days after the Tribunal sends to the person making the application written reasons for the decision.
3. If the person wishing to appeal does not comply with the 28 day time limit, the person shall include with the application for permission to appeal a request for an extension of time and the reason for not complying with the 28 day time limit; the Tribunal will then decide whether to extend time or not to allow the application for permission to appeal to proceed.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates, state the grounds of appeal, and state the result the party making the application is seeking.