



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

Case Reference	:	HAV/00ML/LSC/2025/0606
Property	:	14 Russell Square, Brighton, BN1 2EE.
Applicants	:	Ms. Ebony-Jane Penny Mr. Samson Lee Morey
Respondent	:	328 GTS Limited
Representative	:	ODT Solicitors Ms. Felicity Thomas of Counsel.
Type of Application	:	Determination of liability to pay and reasonableness of service charges Section 27A Landlord and Tenant Act 1985
Tribunal	:	Judge T. Hingston Mr. N Robinson FRICS Mr. S Mason FRICS
Date of Decision		11th December 2025

SUMMARY OF THE TRIBUNAL DECISION -

The Tribunal determines that the Applicants must pay service charges for the relevant years as follows: -

2023 – Nothing payable.

2024 – The Applicants are liable to pay £682.43 (50% contribution to the costs of insurance (£592.43) and accountancy (£90)).

2025 - Nothing is payable until a valid service charge demand is served. Once such a demand is served upon the Applicants, the amount payable will be limited to a 50% share of the costs of insurance and accountancy, plus a 50% share of the costs of any actual roof repairs undertaken during the relevant period.

The Tribunal makes orders Under Section 20C of the Landlord and Tenant Act 1985, and under Paragraph 5 A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002, that the costs incurred by the Respondent in connection with these proceedings and the administration charges in respect of litigation costs are not recoverable from the Applicants by way of service charges.

BACKGROUND

1. The Applicants are the leaseholders of a flat on the ground and lower-ground floors of the above property, which is a mid-terraced period house converted into two residential units.
2. The Respondent freeholder is 328 GTS Limited.
3. The Applicants are seeking determination of liability to pay and reasonableness of service charges for the years 2023, 2024 and 2025. The service charge year for the property runs from December 25th each year to December 24th the next.
4. The application was received on 7 January 2025.
5. The Applicant further seeks 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, limiting the landlord’s ability to recover costs of the proceedings and administration charges from the Applicants by way of service charges.
6. Directions were issued by the Tribunal and the matter was finally listed for hearing on the 24th of November 2025.
7. A bundle of documents comprising 372 pages of statements, correspondence and other exhibits was provided by the Applicant to the Tribunal and to the Respondent.
8. All page references in square brackets hereafter relate to the PDF bundle unless stated otherwise.

THE LEASE

9. The original Lease of the property was dated 17th of August 1972, and it is found at Page 219 of the bundle. However, the second page of this document appears to be missing, and evidence was given that none of the parties in the Application have ever possessed a complete copy.

10. There was then a Deed of Variation on the 15th of June 2011 [Page 228], and a further, revised 'Counterpart' Lease dated 17th March 2023 (hereafter referred to as 'the 2023 Lease') at Pages 233 et seq. This most recent document makes certain amendments and sets out the current provisions applicable to the case.

11. The Lessor covenants [under Clause 1 of the original Lease at Page 222] to '*...keep in good repair the roof and loft space...*', and also to insure the property (Clause 3).

12. Under the original lease, Clause 7 dealt with the tenant's obligation to pay service charges, by way of a '*rateable or due proportion*' of the expenses incurred by the landlord in performing their covenants. As there are two flats in the building, the proportion payable by the Applicants is 50%

12. Under the 2023 Lease, at Schedule 1 Clause 1, this provision is amended so that the leaseholder is required to pay such proportion of:
'*...the expenses incurred by the Lessor... or reasonably and properly estimated by the Lessor to be incurred...in performing their covenants under clauses 1 and 3 of the Lessor's covenants*'. Clauses 1 and 3 refer to the maintenance of the roof and loft space and the arrangement of insurance (as above).

13. Under Clause 13 of the original Lease the leaseholder undertakes not to carry out alterations to the premises without written permission from the lessor. This provision remains unchanged.

14. Under Clause 17 of the original Lease the leaseholder covenants – '*To pay all expenses (including solicitors' costs and surveyors' fees) incurred by the lessors incidental to the preparation and service of a notice under Section 146 of the Law of Property Act 1925...*'.

15. The 2023 Lease replaces Clause 17 entirely, providing that the leaseholder shall pay:
'*...the full amount of any costs, fees, charges, disbursements and expenses, including those payable to counsel, solicitors and enforcement agents incurred by the Lessor in relation to or incidental to...*'

- applications for consents, approvals or licences
- contemplation, preparation and service of any notice under Section 146 of the 1925 Act as above or contemplation of Court/Tribunal proceedings under the same provision
- recovery of arrears of '*sums due*' under the Lease, or
- any other steps taken in contemplation of or in connection with the enforcement of the leaseholder's obligations under the Lease.

RELEVANT LAW

16. Please see Appendix attached hereto.

HEARING

17. The hearing took place at Havant Justice Centre on the 24th of November 2025.

18. The Applicants Ms. Penny and Mr. Morey appeared in person.

19. The Respondent freeholder's Director Mr. Raggio attended, represented by Ms. Thomas of Counsel and ODT Solicitors. Mr. Raggio's Executive Assistant (and Company Secretary of 328 GTS Ltd.) Mr. Ray Barnes also attended as a witness.

APPLICANTS' CASE

20. The Applicants' case was set out in their original Application form, in their document entitled 'Legal arguments against the freeholder' (undated), in their joint witness statement dated 21st of May 2025, and in their 'Reply to the Respondent's Statement of Case' dated 21st July 2025.

21. Ms. Penny also made submissions and gave oral evidence during the hearing.

22. In respect of the general management of the building since they purchased the flat in March 2023, the Applicants submitted as follows: -

- there had been no repairs or maintenance works carried out to the property
- service charge demands had been random, sent by email, unclear about what items were being charged for and/or what period they related to, and not accompanied by the statutory information about tenant's rights and obligations
- no service charge accounts had been provided
- budget statements and estimated lists of costs had been produced which included items irrelevant/not applicable to this property, and
- the managing agents, Pepper Fox, had been unhelpful and threatening when challenged about service charges, and they had failed to provide information when requested and/or to make documents available for inspection and copying.

23. It was further argued by the Applicants that the Lease made no provision for management fees to be charged to the tenants, nor for accountancy fees to be incurred, and therefore these items of expenditure were not recoverable.

24. Given that there are only two flats, with no common areas other than a small shared hallway, and given the extremely limited obligations on the landlord under the Lease, it was argued that the service charges were unreasonably high.

25. In relation to the charges for each of the particular years in question, the Applicants' submissions were as follows.

March 2023 to December 2023: '2023'.

26. Ms. Penny gave evidence to the Tribunal that from the time that they moved into the flat in March 2023 until the Tribunal Application was made in January 2025 she and Mr. Morey had never received any proper, valid service charge demands in the correct form, either from the previous freeholder Mr. Dodd or from 328 GTS Ltd., who purchased the property in June 2023.

27. In respect of service charges for the 9 months of this particular year (2023), the Applicants pointed out that the Respondent has produced no evidence that any demand was sent. There is no reference to (or demand for) the alleged outstanding figure of £855.83 until July of 2024 (see below).

28. The only invoice produced in evidence in respect of this year is at Page 258 of the bundle, which appears to be an invoice dated 1st August 2023 from Pepper Fox, for an 'Interim Management Fee' of £100 plus VAT.

29. The Applicants state that they did not receive this document in 2023, and they had not seen it prior to the Tribunal proceedings.

They also made the point that this particular document is marked as invoice number 1246, whilst the other management invoices produced by the Respondents [at Pages 257 and 258, apparently dated 26th of December 2023 and 24th of June 2024 respectively] are numbered 1247 and 1248, despite the number of months which had supposedly elapsed between them.

30. The Applicants confirm that no service charge accounts or 'Budget statements' for this period (2023) have ever been produced by the Respondent, despite the Tribunal's Directions, and no supporting documentation has been forthcoming either.

December 2023 – December 2024 - '2024'.

A – Payments on account, or 'interim charges'.

31. On the 8th of July 2024 the Applicants apparently did receive a communication [Exhibited at Pages 177-179 of the bundle] from Gareth Knox, Director of Pepper Fox.

32. The communication was said by the Applicants to comprise an email with two letters of the same date (8th of July 2024) attached, one of which 'reminds' them that a sum of £1,882.83 is overdue '*...in connection to your service charge and/or ground rent*', and the second of which reminds them that another sum of £250 is 'overdue', followed by the same phrase. The letters request payment within 14 days '*...to ensure that there are adequate funds within the building maintenance account*'.

33. Together with these two letters the Applicants received two documents which were undated, but both of which were headed 'Statement' '*...from 03 August 2023 to 09 of July 2024*'.

34. The first 'Statement' lists:

- a 'Balance brought forward' of **£855.83**, and

- a ‘Service charge for the period 25th December 2023 - 23rd June 2024’ of **£1,027.00**.

These two figures make up a total ‘Debit’ of **£1,882.83**

35. The second ‘Statement’ lists two outstanding amounts of £125, which is said to be Ground rent for the period 25th December 2023 to 24th December 2024, total **£250**.

36. Both ‘Statements’ give the landlord’s address (for the purposes of Sections 47 and 48 of the Landlord and Tenant Act 1987) as the 328 GTS address.

37. Upon receipt of this 8th of July communication the Applicants wrote back to Pepper Fox [undated letter at Page 186] requesting clarification and justification of the increase in service charges, which had been £860 per annum at the time of their purchase. The reference to payments being ‘overdue’ was also surprising to them because Ms. Penny stated that they had not received any prior demand for payment at all.

38. Mr. Knox replied to the Applicants by email dated July 29th 2024 [Page 183], stating that : ‘...*we do not manage the flats... our response will pertain solely to the service charge.*’ In this email Mr. Knox’s comments were as follows:

- he recommended that the Applicants should refer to their Lease in order to check their obligations,
- he denied that the increase in service charges was unreasonable, and
- he attached a ‘**Budget’ for the year 2023 – 2024** [Page 181/182], which appeared to show total budgeted costs for 2024 of **£4,758**.

39. This ‘Budget’ statement included a number of items which were clearly irrelevant to the building (e.g. door entry systems and ‘*public way electricity bills*’).

40. Nevertheless, Mr. Knox’s email went on to state that, as the charges had not been paid, the matter would soon be passed to solicitors for collection and further costs could be added to the account.

41. In a further email to the Applicants dated 31st July 2024 (2 days later) Mr. Knox stated that Pepper Fox **were** in fact ‘...*a block management company managing the property on behalf of the freeholder.*’ [Page 188].

42. In the same email (of 31st July 2024) Mr. Knox now informed the Applicants that, based on the ‘Budget Statement’ they owed monies as follows:

- **£855.83**: Opening balance ‘...*from before our management, representing outstanding arrears.*’
- **£1,027.00**: Six-monthly amount from the 2023 budget.
- **£1,189.50**: Six-monthly amount from the 2024 budget.

43. He stated that service charges were due to be paid on the ‘*24th June and 25th June each year*’ (Note: presumably this was a mistake and the second date should read ‘December’ rather than June.) The letter then demanded that payment of the

outstanding amounts in full should be made by close of business the same day, otherwise ‘...the matter will be passed for legal collection.’

44. As for the ‘Balance brought forward’ or alleged ‘arrears’ of £855.83, the Applicants stated that they were not aware of any arrears. They had not received any demands for payment, there was no explanation for the charge, and they had been told that there were no sums outstanding at the time of their purchase, so they challenged this figure. However, they did pay the sum - under protest - on the 22nd of August 2024.

45. As to other issues raised by the Applicants, as well as their complaint of unaddressed disrepair to the roof of the building, Mr. Knox responded as follows: -

- *Invoice for Building Insurance: Cannot be provided as the freeholder has paid this due to your arrears. Once your arrears are paid, we will send you a copy of the invoice.*
- *Health and Safety Report: Planned but not completed due to arrears.*
- *Door Entry Systems: Planned but not completed due to arrears.*
- *General Repairs: Planned but not completed due to arrears.*
- *Management Fees: Set by our client and not subject to leaseholder approval.*
- *Utility Bills: Planned but not completed due to arrears.*

There was no concession that any of these items were not appropriate to Russell Square.

46. On the 22nd of August 2024 the Applicants submitted a request for inspection of relevant documents under Section 22 of the 1985 Act. Their evidence was that they were eventually permitted to see some (limited) documentation in October 2024, but they were not allowed to take copies. The only invoices that were available at that time were one invoice for insurance and the three invoices for ‘management fees’ from Pepper Fox.

47. In terms of the validity of service charge demands, the Applicants make the point that none of these letters comply with the statutory requirements or relevant guidelines: they were neither posted nor hand-delivered, there is some confusion as to what periods are covered and what amounts are payable, and they are not accompanied by the requisite list of tenants’ rights and obligations. However, the Applicants state that they did pay ‘under protest’ all sums as demanded (save for the increased Ground Rent, which was not payable according to the terms of their Lease), and they were not in arrears.

Applicants’ objections to the payments on account for 2024.

48. As to disputed elements of the budget figures, the Applicants submit that the list of estimated costs for this particular year (2024) was not appropriate for their property, and service charges based upon it were inherently unreasonable.

49. The Applicants submitted that the Lease did not provide for payment of any the following:

- **Health and Safety reports -**
£500 was budgeted. The Applicants said that there was no provision for such expenses under the Lease.
- **Door entry systems -**
£300 was budgeted. It was stated that there is no door entry system at 14 Russell Square.
- **General repairs -**
£800 was budgeted. It was pointed out that the landlord is not obliged to carry out any repairs other than to roof and loft space, and that no repairs were planned or carried out.
- **Accountancy -**
£250 was estimated for 'Accountancy fees'. The Applicants argued firstly that there is no provision for such expenses in the Lease, and secondly that basic collating of information and submitting it to accountants ought to be within Pepper Fox's general management function. It was denied that this expense was reasonably incurred or payable.
- **Management fees -**
£708 was budgeted. It was argued that there was no need for management of such a simple property, especially as the previous freeholder had managed the building himself.
- **Reserve Fund -**
It appears that a contribution of £500 was budgeted for. No explanation was given nor justification for such a fund under the terms of the Lease.
- **Utility bills -**
£200 was budgeted. The Applicants stated that there is only one light-bulb in the hallway, which is paid for on their flat's electricity bill.

50. When the Applicants sought to challenge these unauthorised charges, Mr. Knox simply told them to read their Lease.

B - 'Management Accounts' - Actual expenditure – 'December 2023 – December 2024'

51. In accordance with the Tribunal Directions, the Respondent has now produced a document entitled 'Management Accounts', which purports to show the actual expenditure for the year ended December 2024 [Page 150 et seq].

52. At Pages 152 [and 248] the '*Income and Expenditure Account for the period from 26th December 2023 to 25th December 2024*' is provided, and the total actual expenditure for the year is given as £4,699.

Applicants' Objections to the 2024 'Management Accounts'

53. In the list of ‘expenses’, the following items are included, and the Applicants’ objections to the figures are set out as follows:

- **Accountancy fees - £348**

The Applicants pointed out that there is both an invoice from ‘Elite book-keeping’ [dated 19th February 2025, at Page 250] for £168 for ‘*preparation of management accounts for year ended 25th December 2024*’, and a ‘Financial Accounts Fee’ of £180 charged by Pepper Fox, also for the ‘*...financial period ending 25 December 2024*’ [invoice dated 25th December 2024, at Page 251].

The Applicants argue that there appears to be some duplication of work and double-charging to the tenants, despite the fact that the accounts are extremely straightforward and simple.

- **Insurance - £2,001**

As for the cost of insurance, the Applicants told the Tribunal that they were obviously willing to pay their contribution, but they were concerned about the type of cover and the amount of the premium and they were unable to obtain any details from Pepper Fox.

The insurance policies run for 12 months from June each year, commencing at the time that 328 GTS purchased the property in June 2023.

The insurance cost in these particular accounts is given as £2,001. It was not made clear in the document how the figure had been calculated, but it was explained in the course of the Tribunal proceedings that the premiums for both 2023 and 2024 had been added together. In fact the Respondent’s representatives submitted that the total figure had been reduced by approximately £265 as an ex-gratia reduction in respect of administration charges.

The Applicants were concerned that the first invoice from Base Insurance Brokers, dated 22.06.23 and covering the period from June 2023 – June 2024 [at Page 363] mistakenly referred to cover for both the subject Russell Square address and another property at Coleridge Street, at a total cost of £2,076.20.

Although this figure was subsequently corrected, the Applicants sought information about how the valuation had been adjusted in order to offer appropriate cover just for Russell Square alone, and how the corrected figure of £1,080.45 had been arrived at.

As to the reasonableness of the premium, Mr. Morey had obtained some alternative quotations from 15 different companies for insuring the building, and the average quote was £511.45 for the year.

The Applicants argued that the insurance arranged by Pepper Fox was unreasonably expensive.

- **Legal and professional fees - £958**

The invoices from ODT Solicitors which make up this sum are at Pages 157 and 158, and they are dated 14th August and 3rd of September 2024 respectively. The heading on the invoices is '*GFF 14 Russell Square – Arrears*'.

The Applicants' case is that in August/September 2024 they were not in arrears, because they had paid (before the deadline) all fees demanded other than the disputed Ground Rent charges. The 'Statement' at Page 170 shows that their account was in credit by £797.00 on the 22nd of August 2024.

The Respondent eventually conceded that the Ground Rent of £250 per annum was incorrectly charged, because under the 2023 Lease it was set as 'peppercorn' rent only. It was said that an employee at Pepper Fox wrongly entered the flat as owing ground rent, and it was a '*simple clerical error*'.

In the light of the above it was submitted by the Applicants that there were no debts or unpaid charges at the relevant time, and no legal fees were 'reasonably incurred' or payable.

As to the Respondent's suggestion that these fees were incurred in connection with an alleged breach of the terms of the Lease by carrying out unauthorised alterations to the flat, the Applicants pointed out that: -

- a) the invoices clearly refer to 'Arrears', not 'Breach of covenant', and
- b) the invoices are dated in August and September 2024, at least three or four months before the alterations were even started.

- **Management Fees - £1,320**

The management fee for this year was listed as £1,320, made up of two 6-monthly payments of £500 plus VAT, which was then added to the £120 'interim' charge from the previous year.

The Applicants submitted that firstly, there was no provision for appointment of managing agents under the Lease, and secondly that the cost was unreasonable in the circumstances – especially since the standard of management was low (incorrect demands, muddled accounts, and poor communications).

- **Repairs and Maintenance - £72**

This was said to relate to the posting of a sign giving the details of Pepper Fox as managers of the building, and the invoice [dated 26th November 2024 at Page 60] refers to 'signage' at a cost of £60 plus VAT.

However, it was not clear who the contractor was or what works were carried out. When further enquiries were made during the hearing, the Respondent's solicitor produced two photographs of what appeared to be different areas of

plain, white-painted interior walls, claiming that someone must have removed a sign.

The Applicants denied that there had ever been a sign at the property, and they submitted that this cost was not 'reasonably incurred' and not recoverable from them under the terms of the Lease.

54. Even if the above expenses were found to be recoverable under the Lease and 'reasonably incurred', it was submitted that they were unreasonably high.

December 2024 – December 2025 - '2025'.

55. The managing agents Pepper Fox had sent out an 'Application for payment' as exhibited at Page 161 of the bundle. This document is addressed to the Applicants at 14 Russell Square, and it is dated 19th September 2024. It contains an 'invoice' for '*50% contribution to current expenditure for building*' - **£1,749.70.**

There is no explanation as to how this figure has been calculated.

56. The Applicants submit that this is not a valid service charge demand, and Ms. Penny's evidence was that in any event they never received it at any time in 2024. She told the Tribunal that they saw this document for the first time after they had initiated Tribunal proceedings in January 2025.

57. There is also an undated 'Statement' at Page 163 which appears to have been sent out at the same time as the 'Application for Payment.' It is headed '*From 19th September 2024 - 3rd May 2025*', and as at the 19th of September 2024 the statement suggests (in the 'Debit' column) that there is £1,749.70 outstanding, once again described as: '*50% contribution to current expenditure for building*'.

58. The Applicants submit that this is not a proper service charge account either, and it does little to clarify the position. There is no breakdown of costs and expenses for the year 2025 at all.

59. Finally, there was a 'spreadsheet' of expenses for the year 2025, but it was only produced after the Tribunal proceedings were initiated and it was not included in the bundle.

60. The Applicants ask the Tribunal to determine that there is no valid service charge demand for 2025, that the costs are not recoverable under the Lease, and/or that the amounts are not reasonable.

Costs and Administration charges

61. The Applicants submit that their application to the Tribunal was necessary and justified because of the landlord and agent's failure to provide adequate documentation and explanation when requested.

62. Valid Service charge demands were not issued, invoices in support and/or proper accounts were not provided, information was withheld, and whenever they challenged figures or requested clarification they were threatened with legal action.

63. The Applicants further submitted that costs in the Tribunal proceedings were not recoverable by way of service charges under the Lease in any event, because Clause 17 would only permit such charges if the costs were incurred in relation to -

- recovery of arrears of '*sums due*' under the Lease, or
- any other steps taken '*in contemplation of or in connection with the enforcement of the leaseholder's obligations*' under the Lease.

64. In fact, the costs have been incurred in respect of action taken by the tenants to determine reasonable service charges, not in respect of arrears or enforcement.

65. It was submitted that a more transparent and reasonable attitude on the part of the landlord and his agents could have resolved the issues without proceedings being necessary at all.

66. Even when there was, finally, some correspondence between the parties as to a possible settlement, it was pointed out that the Respondent's letter (dated 6th May 2025 at Page 146) essentially said: '*Pay everything that we demand, plus our costs*' rather than proposing any sensible solution.

67. In respect of the case of *Ramjotton v. Patel* [2020] UKUT 0019 (LC), which was cited by the Respondents in support of recoverability of administration charges under the terms of the lease, it was said that the position is very different when costs are incurred in dealing with a tenant who is in breach of covenant, which is *not* the case here.

68. Overall, the Applicants submit that Clauses 1 and 3 of their Lease create very narrow, specific obligations for the landlord, and there are no general management provisions at all.

69. They therefore seek orders that none of the Respondent's costs and administration charges can be recovered from them by way of service charges.

Case Authorities cited by the Applicants

70. At Page 214 of the bundle, the Applicants have listed a number of cases which are said to reinforce the principle that lease terms must be specific if they are to be enforced, and that any ambiguity is likely to be resolved in favour of the tenant. This is particularly relevant in respect of the issue of Management Fees.

71. The most recent of the Applicants' authorities is the case of *89 Holland Park (Management) Limited v. Dell* [2023] EWCA Civ 1460, in which the Court of Appeal confirmed that landlords can only recover costs that fall within the precise scope of the lease provisions, and there is no general principle allowing for 'associated' or 'incidental' costs.

72. As for the cases cited by the Respondents in support of their opposing contention that landlords must necessarily be entitled to incur management costs in the course of complying with their obligations, and that these are recoverable from the tenants, the Applicants pointed out that all these cases involved public sector landlords rather than private companies or individuals.

73. It was submitted that the covenants and obligations for maintenance and repair in the cited authorities are generally far more onerous and extensive than in the case of Russell Square, and therefore it is perhaps more reasonable to imply a power to appoint agents and incur costs in the process.

RESPONDENT'S CASE

74. The Respondent's case was set out in their Statement of Case dated 12th June 2025 (signed by ODT solicitors and by Mr. Raggio), together with Appendices and Scott Schedule; in the witness statement of Mr. Ray Barnes, and in the written 'Submissions' of the 16th July 2025.

75. Mr. Barnes also gave oral evidence at the hearing, and Ms. Thomas made representations, questioned the witnesses and made submissions on the Respondent's behalf.

76. Mr. Barnes' evidence was that 328 GTS Ltd. purchased this property as an investment on the 23rd of June 2023. The company owns a 'reasonably large' number of properties and Pepper Fox, who manage all their portfolio, took over the management in August 2023. It had been difficult to obtain relevant documentation from the previous owner, who had 'self-managed' the building.

77. It was said that the service charges were demanded every 6 months on a 'budget' basis, and then there were adjustments or credits at the end of each period. Mr. Barnes was unsure whether there was any provision in this particular Lease for setting up a reserve fund, as he had not read the Lease.

78. In respect of the Applicants' case that there were no valid demands sent to them throughout the period in issue, it was submitted on behalf of the Respondent that they must have received demands because they paid the charges.

March 2023 to December 2023 – '2023'.

79. The Respondent did not produce any evidence or accounts in respect of this 9-month period. Mr. Barnes stated that year-end accounts were not prepared because it was 'only a partial year.'

80. Ms. Thomas, on behalf of the Respondent, said that the accounts for two years (2023 and 2024) had been run together in the 'Management Accounts' at Page 152, even though the document is misleadingly headed: '*... for the period 26th December 2023 to 25th December 2024*'.

81. The figures listed in this document for 'expenses' combine costs from both 2023 and 2024, giving total insurance premiums, management fees and accountancy fees for both years.

82. As for any arrears owed by the Applicants, it was submitted that the **£855.83** shown on the Applicants' account as a debit in August 2023 represented 50% of the costs reasonably estimated for the period from August to December 2023. However, there is no budget statement for 2023, and no evidence of any demand being sent out at the time.

83. Mr. Barnes conceded [in his witness statement at Page 127] that it was '*not clear whether a formal demand for this sum (£855.83) was sent out...*', and no such document was produced in evidence. There was also no documentation or breakdown of costs in support of such a charge.

84. Although there was reference during the hearing to some email correspondence between the previous freeholder Mr. Dodds and his solicitor about outstanding service charge contributions, such correspondence was not included in the bundle and the figures mentioned were different. There was no evidence that any demands had been sent to the Applicants from the time of their purchase in March 2023 to the end of the year in December 2023.

December 2023 – December 2024 – '2024'

85. In respect of this period, Mr. Knox claims [in his email of 31st July 2024 at Page 189] that a '*service charge demand was issued*' on the 3rd of June 2024. However, there is no copy of such a letter or demand in evidence.

86. In the same email Mr. Knox states that the letter of 8th July 2024, which the Applicants did receive and which is produced in the bundle, was a '*1st stage reminder letter that service charges were owed*'. He says that there had been a '*2nd stage reminder letter*' on the 24th of July 2024.

87. No copies of the 24th July letter were produced in evidence.

88. It was submitted that the demand of 19th September 2024, for **£1,749.70** (which was for 50% '*contribution to 'current' expenditure*') had indeed been sent out on the date shown on the letter, and that the supporting document setting out the tenant's rights and obligations was also attached. This was a demand for an 'interim' payment.

Response to Applicants' objections to the Budgeted Accounts for 2024.

89. On behalf of the Respondent it was argued that all figures in the accounts document were reasonable, budgeted, figures which represented estimated expenses for the coming year. It was submitted that the Applicants suffered no prejudice if the costs were either less than anticipated or not incurred at all because there would be a balancing exercise at the end of each period.

90. When it was suggested that items like 'Door entry systems' and 'utility bills' should never have been included or budgeted for, the response was that the budget statement was a generic document used for many different properties.

91. Ms. Thomas conceded on behalf of the Respondent that the budget should have been tailored to this particular building, and headings should have been altered or omitted accordingly.

Response to Applicants' objections to the actual '2024' Accounts

- **Accountancy fees - £348**

It was acknowledged by the Respondent that there is no specific provision for such expenses in the Lease, but it was argued that - *'it would not be possible for the Respondent to ascertain the sums owing under Clause 7 without accountancy expenditure being incurred'* [Statement of Case Page 104].

It was said [also on Page 104] that Pepper Fox had charged their fee of £180 for *'monitoring the accounts between acquisition and 24th December 2023'*, and Elite bookkeeping were said to have charged £168 for producing the 2024 accounts, so there had been no duplication.

- **Insurance - £2,001**

The Respondent's case was that the previous owner cancelled the insurance policy at the time of sale in June 2023, and they immediately arranged insurance through their 'specialist broker', Base, on the same terms.

It was conceded that the first invoice from Base on the 22nd of June 2023 mistakenly referred to cover for two different properties, Russell Square and Coleridge Street, at a total cost of £2,076.20, but this error was corrected immediately and the adjusted invoice for £1,080.45 for Russell Square alone was received later the same day.

The invoice for the next year's cover, from June 2024 – June 2025, was for £1,184.86, making a total of £2,265.31 for the two years.

The Respondent stated [Page 98] that they only sought to recover £2,001 of that amount from the tenants: the shortfall of approximately £265 *'representing an ex gratia reduction towards the costs of administration and mid-term adjustment fees which had been incurred'* as a result of the acquisition of the property.

As for reasonableness of the premium, it was submitted that the Respondent relied upon their managing agents and the brokers to arrange insurance for all their properties under a 'block policy', which offered advantages to all concerned. Base were a reputable and experienced firm of brokers who assessed the market and used their expertise to arrange 'best value' cover.

Overall, the Respondent averred that they were not obliged to find the cheapest insurance available, but the cover was appropriate and the costs in this case were reasonable. It was said that the demands for payment had been properly served, invoices were provided, and the agents had explained 'repeatedly' to the Applicants what was being charged and how the figures were calculated.

- **Legal and professional fees - £958**

The Respondent's Statement of Case [at Page 104] asserts that these legal fees relate to the separate dispute between the landlord and the tenants about alleged unauthorised alterations to the property, and the preparation of the 'Letter before action' which was sent to the Applicants.

As for the heading on the invoice which refers to 'Arrears', it was suggested by Ms. Thomas that this must be an error.

It was said that the costs incurred in connection with this other dispute are recoverable from the Applicants on a full indemnity basis as 'Administration charges' under Clause 17 of the Lease and not within the jurisdiction of the Tribunal.

- **Management Fees -£1,320**

In respect of whether management fees are recoverable under the Lease at all, the cases of *Haveli Limited v. Glass* [2006] LRX/22/2005 *Lands Tribunal* and *Brent LBC v. Hamilton* LRX/51/2005 *Lands Tribunal* were cited as authority for the proposition that the cost of employing managing agents is a cost incurred by the landlord in performing its repairing and insurance obligations under the Lease, and it is therefore recoverable from the tenants (in this case) under Clause 7.

The case of *Norwich CC v. Marshall* LRX/114/2007 *Lands Tribunal* was also referred to, in support of the argument that the Respondent landlord could only act through its employees or agents and it must therefore have to incur expenses in order to comply with its obligations, even if there are no specific words in the Lease providing for the same.

Finally, the case of *London Borough of Southwark v. Paul* [2013] UKUT 0375 (LC) was cited, as another case upholding the principle that landlords can recover their overheads of running the property even in the absence of express terms.

In all the circumstances it was submitted that the management fees of £500 per flat per annum were calculated and charged in accordance with 'standard industry practice' [Scott Schedule page 115] and the amount was reasonable.

- **Repairs and Maintenance - £72**

On behalf of the Respondent it was submitted that there was an invoice for the 'signage' work and the Applicants had been correctly charged for their 50% share of it.

92. In summary, the Respondent's case was that all the above costs were reasonably incurred and payable under the Lease.

93. The total sum owing for this year (2024) was however amended because it was submitted that the 'actual' expenditure of £4,699 should be reduced by £958, as the 'Legal fees' related only to this flat. Therefore the Applicants were said to be liable to pay 50% of £3,741 (i.e. £1,870.50), plus £958, total **£2,828.50** for this 12 – month period.

December 2024 – December 2025 - '2025'

94. Mr. Barnes' evidence was that there were no service charge demands issued after the end of 2024 because the Respondent was anticipating forfeiture proceedings for breach of the Lease (by way of unauthorised alterations) and therefore they did not want to compromise the proceedings.

95. In respect of the most recent communication from Pepper Fox to the Applicants, i.e. the 'Statement' at Page 163, which appears to date from September 2024, it was agreed that the outstanding sum at that time was £1,077.70. The Applicants paid £702.70 in May 2025, leaving the £375 Ground Rent unpaid.

96. As above, it was conceded on behalf of the Respondent that the Ground Rent should never have been charged at all.

97. There were no service charge accounts for this year (2025) available and the spreadsheet was not included in the bundle.

Section 20C and Paragraph 5A Orders as to Costs and Administration charges

98. The Respondent argued that this Application stemmed from a 'complete misunderstanding' of the provisions of the Lease, particularly in respect of budgeted costs and interim payments.

99. It was said that Pepper Fox had tried to be courteous and helpful, providing '*repeated explanations*' and making '*numerous efforts to assist*', but that the Applicants had been aggressive and combative throughout.

100. It was denied that any of the Respondent's or agent's letters to the Applicants had been threatening or bullying as alleged.

101. In terms of the Applicant's contention that no real efforts had been made to reach a compromise solution, it was said that the Respondent and their representatives had '*tried to save vast amounts of legal fees by seeking a global settlement*'.

102. Although Ms. Thomas expressed concern that the Applicants had referred to 'Without Prejudice' correspondence, and included ODT Solicitors' letter of 6th May 2025 in the bundle [Page 146], it was said that the Respondents were content to waive privilege in order for the Tribunal to consider offers that had been made.

103. It was averred that the Respondent had complied with all Tribunal Directions.

104. As to the £958 Legal or 'Professional' costs, Ms. Thomas averred that these related to the other dispute, about breach of covenant by unauthorised alterations to the property, and that they were recoverable on an indemnity basis under Clause 17 of the Lease rather than being subject to the Tribunal's jurisdiction.

105. In support of this argument, the case of *Christoforou v. Standard Apartments Limited* [2013] UKUT 0586 (LC) was cited, in which the Upper Tribunal found that legal costs of recovery incurred in enforcing lessee's covenants did constitute administration charges.

106. In any event, if the Applicants were seeking an order in respect of other administration charges arising from the Tribunal proceedings, Ms. Thomas referred to the case of *Ramjotton v. Patel* [2020] UKUT 0019 (LC), on the basis that if the tenants did not succeed in their challenge to the service charges, it would require some 'special circumstances' to justify an order under this provision.

107. Overall, the Respondent submitted that it would not be just and equitable to make any orders under this heading.

FINDINGS AND DETERMINATION

THE LEASE

108. Given that all parties have an incomplete copy of the Lease, and given the fact that this document is the only basis for all dealings between the Applicant and the Respondent, the Tribunal finds that the terms as set out in the said document are binding, and it is not possible to infer that other terms must have been present or speculate as to what those terms might have been.

109. In the circumstances, there is no provision as to when and how the service charges must be paid, but it appears that there is an established practice of calculating charges over a twelve-month period from 25th December each year to 24th December the next. The Tribunal is not asked to make any change to that system, and therefore the service charge accounts are taken to run along the same lines.

110. Under the amended terms of Clause 7, there is a power for the landlord to recover both actual and future 'estimated' costs of performing their covenants by way of service

charges, but there is no express power for demands to be issued on a 6-monthly basis, nor for balancing payments to be made at the end of each year, nor for the establishment of any kind of reserve fund.

111. The landlord's covenants are extremely limited, giving them no responsibility for the main structure of the building (walls, foundations etc.) apart from the roof and loft space, no responsibility for service media or utilities, and no requirement to maintain grounds or external areas.

112. The Tribunal finds that the property requires minimal 'management', because there are only two flats and the only management duties generally consist of arranging insurance, preparing simple accounts and collecting the service charges.

113. As to the evidence in this case, the Tribunal found that Ms. Penny and Mr. Morey were credible and reliable witnesses who were genuinely seeking clarification of the financial position in respect of their service charges.

114. The Tribunal accepted the Applicants' evidence that they had not received a single valid service charge demand since they purchased the flat on the 17th of March 2023, and the Tribunal found that the correspondence, 'statements' and 'accounts' issued by the managing agents Pepper Fox were inaccurate, incorrectly dated, misleading and confusing in the extreme.

115. There was, in fact, no evidence to contradict the Applicant's case that valid service charge demands were not issued at all during the relevant period: the only exhibited demand which purported to be in the correct form, and which was accompanied by the proper summary of tenant's rights and obligations, was the document dated 19th September 2024, which the Applicants said had only been produced after the Tribunal application was made.

116. The Tribunal further found that Gareth Knox, Director of Pepper Fox, had not been helpful in his written responses to the Applicants' enquiries: his answers were patronising (suggesting that they should read their Lease properly) inadequate (in alleging that they were in arrears when they were not, and giving no explanation for incorrect items in the Budget) and in several instances unlawful (in demanding substantial Ground Rent payments which were not provided for in the Lease.)

117. It was unfortunate that no representative from Pepper Fox had made a statement, and no-one from the company attended the hearing, but the Tribunal found that overall the standard of management was poor.

118. In the light of the above findings, the Tribunal dealt with the Applicants' objections and challenges as set out below.

March 2023 - December 2023

119. In 2024 the managing agents suggested that £855.83 was outstanding in respect of service charges for the Applicants' flat in this 9-month period. No justification or explanation for this sum has ever been given. There is no evidence that any demand

was sent during 2023, and the ‘demand’ of 8th July 2024 is not compliant with the terms of the Lease, the Landlord and Tenant Act 1985 or the RICS guidelines.

120. No notice was served thereafter during the relevant period under Section 20B of the 1985 Act (to the effect that such costs had been incurred and the tenants would in due course be required to pay them) so any ‘demand’ for payment is now out of time – being more than 18 months after the costs were supposedly incurred.

121. Therefore the Tribunal determines that the Applicants are not liable to pay any service charges in respect of this period.

December 2023 – December 2024.

A – Payments on account, or ‘interim charges.’

122. The Pepper Fox letter of the 8th July 2024 demanded the following:

- payment of the alleged service charge arrears of £855.83
- estimated costs of £1,027 for the first 6 months of 2024, and
- £250 in Ground Rent.

123. The Tribunal finds that this demand was not validly served, accompanied by the requisite information, or in the correct format (as above) and the costs were not justified or supported by documentation. The amounts were not payable for the following reasons:

- the Applicants were not liable to pay any arrears
- there was no explanation for how this figure was calculated, and
- the Ground Rent was not payable under the Lease.

124. When the Applicants requested an explanation, Mr. Knox [email of 31st July at Page 188] sent them the document which purported to be the ‘Budget’ for the service charge year 2023 – 2024.

125. This email contradicts the previous statement, because it states that the Applicants are liable to pay £1,189.50 for the first six months of 2024, not £1,027 (as referred to in Paragraph 122 above). The £1,027 was now said to be in respect of the latter part of 2023 (not the first half of 2024), supposedly from the ‘2023 budget’ (which had never been produced, and which is not exhibited in evidence.)

Applicants’ objections to the budget figures

126. The Tribunal finds that the ‘Budget’ at Pages 181 – 182 was so misleading as to the dates which it covered, and so flawed in its drafting, that it was not reasonable to demand payment on the basis of its contents. Most of the items listed in the document are not payable anyway, as follows:

- there is no obligation for the landlord to obtain Health and Safety reports under the Lease - £500 is not payable,

- there is no door entry system in the property - £300 is not payable,
- there were no planned repairs and no provision for a reserve fund under the Lease - £800 and £500 are not reasonable or payable, and
- the landlord is not responsible for any of the electricity supply or bills - £200 is not payable.

127. In respect of the Management charge of £708, the Tribunal finds that this cost was not reasonably incurred or reasonably estimated to be incurred. There is no express provision in the Lease for appointment of a manager, and the Tribunal does not accept that there could be an implied provision to that effect either, because of the extremely limited obligations on the landlord. The cases where it was found that a landlord must logically and reasonably employ agents to carry out management functions, despite the lack of any express provision in the lease to that effect, were distinguished on the basis that they involved public sector landlords whose duties were extensive and onerous.

The Tribunal had particular regard to the recent case of *89 Holland Park (Management) Limited v. Dell* [2023] EWCA Civ 1460, in which the Court of Appeal took a more narrow view of lease terms in this context.

128. The Tribunal therefore found that the only costs which were reasonably estimated to be incurred for the period from December 25th 2023 to December 24th 2024 were:

- Insurance - £1,500. Whilst the amount allowed for the premium is considerably more than was actually paid, the Tribunal considered that it was not unreasonable to budget this amount. The Tribunal accepted the Applicants' evidence that their investigation of comparable quotations indicated that it could be possible to insure the property at a lesser cost, but the case law clearly indicates that a landlord is not obliged to find the cheapest insurance available, provided that the decision-making process is objectively reasonable. In this particular case the Tribunal accepted that the Respondent had employed a reputable broker, and there were potential benefits associated with insuring this property under a 'block' policy.
- Accountancy - £250. Although there is no express provision in the lease for employing accountants, a reasonable amount should be allowed for accountancy (preparation of basic service charge accounts), to be carried out either by external accountants or by a managing agent. **The Tribunal considered from their own knowledge and experience that a reasonable cost for this task would be £180.**

129. However, as set out above, there was no valid or correctly served service charge demand for this period until the letter dated 19th September 2024, which (according to the evidence accepted by the Tribunal) was not served until 2025, so nothing was payable by the Applicants as of September 2024.

B - Sums payable according to the 'Management Accounts' - actual expenditure [Pages 150 et seq.].

130. By the time that the compliant 19th September 2024 demand was served in 2025 (there was no evidence as to the exact date that it was received), the 'Management Accounts' (which apparently give details of actual expenditure) were available [Page 150 et seq]. Therefore the sums payable by the tenants can be calculated according to the costs actually incurred, and the Applicants are liable to contribute to all those which fall within the 18 months prior the date when the demand was received.

131. Accordingly, the Tribunal makes the following determination as to what charges are payable by the Applicants: -

- **Accountancy fees –**

Only £180 is reasonable and payable (see Paragraph 128 above.)

The Applicants are liable to contribute 50%, i.e. £90.

Explanation: According to the Respondent's own evidence (invoices) there was, in fact a duplication: the Elite book-keepers and the Pepper Fox managers have charged accountancy fees for the same period.

Pepper Fox had no need to '*monitor the accounts*' during 2023 as was suggested by the Respondent: the insurance was arranged in June 2023 before they took over management of the property (in August), and they did not issue any accounts or invoices during the rest of the year. Their charge is completely unjustified.

- **Insurance –**

The figure given in the accounts document is £2,001. In fact the insurance premium payable in June 2024 (for the year to June 2025) was £1,184.86. This cost was incurred within 18 months of the demand, which was finally served on a date prior to the hearing of 3rd December 2025. The premium was found by the Tribunal to be reasonable in the circumstances, and the Applicants are liable to pay their 50% share, i.e. £592.43.

Explanation: To put this figure in context, the Tribunal noted that the premium back in 2022 was £649.93 [as shown on Page 173], so it seems surprising that the average quotation in 2024 was just over £510. Overall the Tribunal found that the premium for the period June 2024 – June 2025 was within a reasonable range for this type of residential building; the landlord's instruction of Base Insurance brokers appeared to be an objectively reasonable decision, and the cost was evidenced by the invoice.

As for the £1,080.45 premium which had been paid in June 2023 for the previous year, and which was 'rolled up' in the accounts for 2024, the Applicant's contribution to the cost was not correctly demanded within 18 months and no Section 20B notice was given, therefore the Applicants are not liable to pay any of it.

- **Legal and Professional Fees - £958**

In respect of legal costs, the Applicants rightly pointed out that under Clause 17 of the Lease such costs are only recoverable from the tenants in certain

circumstances (e.g. where there are unpaid charges or breaches of covenant), none of which apply here.

The Tribunal does not accept the Respondent's contention that these fees were incurred in respect of any alleged breach of covenant by the tenants/Applicants. The dates and headings of the ODT invoices make it clear that the costs were incurred in following up alleged 'arrears.'

As the amounts of the supposed 'arrears' were made up of service charges which had not been properly demanded and which were |(in several instances) found to be not reasonable or payable, and/or of Ground Rents which had been incorrectly and unlawfully charged, the Tribunal determines that these costs were not reasonably incurred and the Applicants are not liable to pay them.

- **Management Fees £1,320**

The Tribunal was told that this figure represented the management charges for 2023 and 2024 added together. The annual charge is £500 plus VAT for managing the two flats.

The Tribunal found that the standard of management was poor, as evidenced by the incorrect and misleading information given to the tenants and the agents' failure to issue proper service charge demands and accounts.

The Tribunal also found that there was no provision in the Lease (either explicit or implied) for appointment of a manager.

In the circumstances the Tribunal determines that the Applicants are not liable to contribute to any management fee.

- **Repairs and Maintenance**

The Tribunal did not find that this invoice fell into the category of allowable or necessary expenditure under the terms of the Lease, even if there was sufficient evidence that the 'works' had been carried out at all – which there was not.

The Tribunal determines that it is not reasonable for the tenants to pay for a sign to be affixed to the building, giving details of the managing agent, when that agent's appointment was not provided for under the said Lease. Nothing is payable under this heading.

December 2024 – December 2025

132. The Applicants are also seeking a determination in respect of the '2025' service charge year, which is taken to run from December to December as usual.

133. However, without any evidence of accounts for the relevant period (either budgeted/estimated or actual) and in the absence of any clear service charge demands, it is not possible for the Tribunal to determine exactly how much is payable.

134. The Tribunal is only able to determine that the Applicants are liable to pay a contribution restricted to a sum made up of the following elements: -

50% of a reasonable insurance premium

50% of £180 for accountancy services, and

50% of the cost of any actual repairs to the roof (subject to compliance with the Section 20 consultation requirements under the Landlord and Tenant Act 1985).

135. Such contributions will become payable when and if a valid service charge demand is correctly served upon them, within 18 months of the costs being incurred.

COSTS AND ADMINISTRATION CHARGES

136. As explained above, the Tribunal did not find that either Mr. Knox or ODT Solicitors had been courteous and helpful, nor was it apparent that they had given '*repeated explanations*' or made '*numerous efforts to assist*'. On the contrary, it was found that the correspondence from those representing the Respondent was opaque and/or unhelpful. The repeated threat of legal proceedings, with substantial associated costs, was inappropriate and unjustified in the light of the absence of appropriate provisions in the Lease and the managing agents' inaccurate claims of arrears and late payments.

137. The 'Without Prejudice' letter from ODT to the Applicants, which was ultimately put before the Tribunal with the agreement of all parties, did nothing to address the tenants' legitimate concerns or offer any concessions in the areas where their objections were valid.

138. The Tribunal found that the Applicants were justified in bringing their case before the Tribunal, and that their challenges to the various elements of the service charges were valid and appropriate. In respect of the vast majority of the disputed elements of the service charges the Tribunal found in favour of the Applicants.

CONCLUSION

Accordingly, the Tribunal determines that it is just and equitable to make orders under Section 20C and Paragraph 5A as above, that neither the costs of these proceedings nor the administration charges associated therewith are recoverable from the Applicants by way of service charges.

It is further ordered that the Respondent shall reimburse the Applicants for the Application fee of £110 and the Hearing fee of £227.

Right to Appeal

1. A person wishing to appeal this decision to the Upper Chamber must seek permission to do so by making written application 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. Where possible you should send your further application for permission to appeal by email to rpsouthern@justice.gov.uk as this will enable the First-tier Tribunal to deal with it more efficiently.
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.

