



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

Tribunal case reference	:	CAM/OOMC/LSC/2025/0656
Properties	:	6, 10 and 12 Palmer Street, Reading, RG1 3GX
Applicants	:	Ms V. Angelini & Mr C. De Stefano, Mr D. Harrod and Mr V. Singh
Respondent	:	London and Quadrant Housing Trust
Representative	:	Ms J. Moate
Type of application	:	Liability to pay service and administration charges (sections 27A and 20C Landlord and Tenant Act 1985; paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002)
Tribunal members	:	Judge M. Hunt Mr J. Francis QPM
Date of hearing	:	10 November 2025 (remote hearing)
Date of decision	:	13 November 2025

DECISION

1. Mr C. De Stefano is added to the application in accordance with Rule 10 of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 because he is the joint tenant/leaseholder of 12 Palmer Street.
2. The service charges that the Respondent demanded from the Applicants in September 2024 are not payable in full. They are only payable to the extent that the total contributions each Applicant had made towards service charges by that date fell short of the total service charges that the freeholder had demanded from the Respondent for periods up to 30 September 2024. Therefore, as far as Ms

Angelini and Mr De Stefano are concerned, only £1,192.87 is payable. This is on the assumption they were validly charged annual management fees of £130 for periods ending in March 2023 and 2024. If such fees are ultimately found (or agreed) to not be payable, only £932.87 will be payable.

3. No part of the Respondent's costs incurred, or to be incurred, in connection with these proceedings is to be charged to the Applicants, whether as a service or an administration charge.
4. The Respondent must pay to the Applicants the sum of £341 in reimbursement of Tribunal fees paid.

REASONS

Introduction

1. The Applicants are the leaseholders of premises at 6, 10 and 12 Palmer Street, Reading, RG1 3GX (the "Properties"). They challenge service charge demands received in September 2024, for payment of £3,339.76 (or £3,700, the documents are not clear), £2,234.16 and £3,752.86 (subsequently revised down to £3,150.65) respectively.
2. Upon clarification of the origin of these service charges at the hearing, the issue for the Tribunal was very substantially narrowed down. It became clear that no facts were in dispute, neither were any individual sums that made up the additional service charges. The case revolved exclusively around the method of arranging payment of the freeholder's service charges and its compliance with the parties' lease, as will be explained.
3. It is important to stress at this point that the parties all agreed to focus exclusively on this precise issue in the context of these proceedings. It would be normal and expected practice when a service charge is in dispute for the Tribunal to assess its payability in all respects (in line with the established position that all disputes arising out of an issue should be dealt with on one occasion, as outlined in *Henderson v Henderson* [1843] All E.R. Rep 378). However, in this case, the Applicants had no knowledge of the specific underlying costs that made up the service charges. They had not therefore been in a position to raise any specific disputes, nor was the Respondent in a position to respond to any (and it may well be that the freeholder would need to be involved in any such proceedings). It was not appropriate to

adjourn the matter when there may ultimately be no further dispute, so the Tribunal, with the parties' consent, determined only the single, confined, issue before it. The parties are permitted to challenge any specific charges by way of separate application, if so minded. Hopefully, of course, that can be avoided either because there will in fact be no disputes, or, if there are, they will be capable of amicable resolution between the parties (and freeholder, if appropriate).

Facts

4. The freeholder of the Properties is Berkeley Homes (Western) Limited (the "Freeholder"). Pursuant to leases dated 22 September 2022, the Freeholder leased the Properties to the Respondent (the "Headleases"). The Headleases were all in substantially the same terms and provided that the Respondent must contribute to the Freeholder's costs of managing the Properties, by way of service charges. The Headleases provide for numerous different service charges to be paid, relating to different aspects of the management of the broader estate within which the Properties are situated. The details are irrelevant for present purposes. The Freeholder has appointed a managing agent – POD – to manage the estate on its behalf. The service charges are calculated on a yearly basis. According to the Headleases, the service charge year is 1 October to 30 September. The "Service Charge Payment Dates" are defined as 1 October and 1 April, but the Freeholder is at liberty to change them. Again, nothing turns on this point, although it will become clear that, if the Freeholder had made service charge demands on consistent dates, these proceedings might well have been avoided.
5. Clause 18 of the Headleases provides that the Respondent shall pay on demand "such sum as is demanded by the [Freeholder] on account of the [service charges] ... by half yearly instalments in advance on the Service Charge Payment Dates or otherwise within 21 days of the date of any demand".
6. Clause 15 of the Headleases makes detailed provision for the operation of the service charge accounts. Essentially, end of year certificates are to be provided to the Respondent to state the charges incurred for the year, noting any credits received (i.e. the "on account" payments referred to above). If those credits exceed the actual expenditure for the year, the "overpayment" is to be credited against the Respondent's service charge liability for the following year. If those credits are insufficient, a "balancing charge" will be demanded. Additionally, clauses 15.10 - 15.14 specify that, if the "on account" payments appear insufficient before the year end, additional "in year" service charge contributions should be sought.

7. Clause 17 of the Headleases specifies that, if the Respondent proposes to underlet the Properties, the underlessees (i.e. the Applicants in this case) must agree to observe the covenants in the Headleases (clause 17.3.1). Additionally (clause 17.3.2), the underlease must specifically contain “a provision for the payment of Rent, the Service Charges and other payments payable under this Lease, the provisions in the underlease to mirror the provisions in this Lease and not be by reference to this Lease”.
8. Paragraph 76 of Schedule 1 to the Headleases contains a covenant whereby the Respondent agrees to “indemnify and reimburse the [Freeholder] for costs charges expenses and other liabilities arising from the non-observance or non-performance by the [Respondent] or its undertenant ... of any covenants relating to the Apartment the Building and the Estate contained in this Lease”.
9. The Respondent then underleased the Properties to the Applicants by way of shared ownership leases (the “Underleases”) as follows: (1) by lease dated 16 December 2022, 6 Palmer Street was leased to Mr D. Harrod; (2) by lease dated 6 January 2023, 12 Palmer Street was leased to Ms V. Angelini and Mr C. De Stefano; (3) by lease dated 25 May 2023, 10 Palmer Street was leased to Mr V. Singh. The Underleases were all in substantially the same form.
10. As required by clause 17.3.2 of the Headleases, the Underleases make provision for the payment by the Applicants of the Freeholder’s service charges. However, the requirements of the clause do not appear to have been followed in full. The provisions of the Underleases do not “mirror” the extensive service charge provisions in the Headleases, instead they refer to the Headleases, precisely what clause 17.3.2 seeks to avoid. It is worth noting that this is not a binding conclusion as the Tribunal is not determining any issue of breach of this covenant, however the matter is of some relevance as will be explained in the Tribunal’s conclusions. The only direct reference to service charges in the Underleases is extremely summary: clause 3.3.5 states that the Applicants covenant to “pay the service charge and all other monies payable pursuant to the Superior Lease [i.e. the Headleases] but not the rent reserved thereunder”.
11. Clause 3.1 contains a covenant to “pay the Specified Rent and all other monies due under this Lease at the times and in the manner mentioned in this Lease by Direct Debit Mandate or such other means as the Landlord shall require without deduction, counter-claim or set-off”. The Underleases contain some terms as to the timing of rental payments (e.g. clause 2), but no specific terms as to the timing or manner of payment of the service charges.

12. Clause 3.27.2 provides that if the Respondent “or Management Company” (defined in a way that includes POD) incurs administration fees “in connection with a failure by the [Applicants] to make a payment by the due date to the Landlord or Management Company (if applicable)” or “with a breach (or alleged breach) of a covenant”, the Applicant must pay such administration fees. The effect of clause 1.14 is that the reference to “Landlord” can be to both the Respondent and Freeholder.
13. Clause 3.29 requires the Applicants to “observe and perform the covenants contained in the [Headleases] ... to the extent they are applicable to the Property”.
14. Clause 5.4.2 contains the Respondent’s covenant to “comply with the [Headlease] Terms as tenant under the [Headleases] (save in respect of any obligations and covenants with which the [Applicants] must comply under this Lease)”. Those obligations and covenants presumably include the payment of the Freeholder’s service charges.
15. How the service charges are/were paid in practice is as follows.
16. The Freeholder (via POD) estimates service charge expenditure for any year and demands payment “on account” from the Respondent, in 2 instalments (as foreseen in the Headleases). Perhaps because the Headleases were still relatively recently executed, the first “on account” service charge demands in respect of the Properties were not made until 24 May 2023. The service charges demanded were the “on account” half-year (in fact, not quite half-year) estimated services charges for the period 31 October 2022 to 31 March 2023 and the period from 1 April to 30 September 2023. Clearly, the period to 31 March 2023 had already passed, but no issue is raised about that. However, it is important context to what led to these proceedings. In similar manner, the next half-yearly “on account” estimated service charges for the period 1 October 2023 to 31 March 2024 were demanded on 7 November 2023. The “on account” half-yearly estimated service charges for the period 1 April to 30 September 2024 were, for the first time, demanded in advance of the relevant period, on 28 February 2024. Again, no issue is raised about the timing of the demand, but it is, once again, important context as will become clear.
17. The Tribunal is unclear whether the “final” service charges for the financial years to 30 September 2023 and 2024 have yet been calculated and was not provided with any of the certificates foreseen by the Headleases. This is irrelevant for the purposes of these proceedings.
18. The sums demanded were as follows.

Date of demand	Service charge period	Sum demanded in respect of 6 Palmer Street	Sum demanded in respect of 10 Palmer Street	Sum demanded in respect of 12 Palmer Street
24 May 2023	(1) 31 October 2022 – 31 March 2023; (2) 1 April 2023 – 30 September 2023	(1) £1,370.33; (2) £1,640.79	(1) £1,370.18; (2) £1,640.61	(1) £1,370.18; (2) £1,640.61
7 November 2023	1 October 2023 – 31 March 2024	£1,937.21	£1,937	£1,937
28 February 2024	1 April 2024 – 30 September 2024	£1,937.21	£1,937	£1,937
Total		£6,885.54	£6,884.79	£6,884.79

19. The Respondent promptly paid.

20. The Respondent seeks to recover these service charges from the Applicants. It operates a different accounting period to the Freeholder, 1 April to 31 March. In the months leading up to 31 March each year, it makes its own estimate of the “on account” estimated service charges that will be demanded by the Freeholder. It arranges for its estimate of the estimated service charges to be paid by the Applicants in 12 equal monthly instalments, typically paid alongside the rent due under the shared ownership terms of the Underleases. The precise timing and amount of the Freeholder’s demands is not directly relevant, save that the Respondent will use what information it has about past estimated service charges to help generate its own estimate. To that estimate, the Respondent adds an annual “management fee” of £130 (certainly insofar as Ms Angelini and Mr De Stefano are concerned; the Tribunal understood the same fee is demanded from the other Applicants). The Respondent would make no further demands for payment relating to the year 1 April – 31 March in question (even if presented with additional service charge demands during that period from the Freeholder, for instance relating to exceptional works). Instead, after the end of that accounting period, it will calculate how much it has paid to the Freeholder during the period, how much it has received from each Applicant in that period (after collecting its management fee), and it will either reimburse any excess to the Applicant, or request an additional payment to make up the shortfall. The two processes are treated by the Respondent as entirely independent of one another (monthly contributions made towards its own yearly estimate of the

Freeholder's service charges are not taken into account when requesting any additional sums). Whether the Underleases provide for this separate treatment is an important part of the Tribunal's decision. The Tribunal understood that any additional contribution (or reimbursement) is usually sought (or paid) in September, which was certainly the case in so far as these proceedings are concerned. The best way of explaining this process is simply to record what happened in this case. The Tribunal will limit its consideration at this point to what happened in relation to 12 Palmer Street, as this is the Property for which it had fullest information.

21. For the Respondent's accounting year to 31 March 2023, the Respondent had sought from Ms Angelini and Mr De Stefano monthly instalments to put towards the service charges (and its fixed management fee) of £271.83. This was calculated on the basis of it having estimated that the Freeholder's "on account" estimated service charges for an entire year to 31 March 2023 (together with the Respondent's management fee) would amount to £3,261.96 ($\text{£}3,261.96/12 \text{ months} = \text{£}271.83$). The Respondent's estimate of the Freeholder's "on account" estimated service charge was therefore £3,131.96 ($\text{£}3,261.96 - \text{£}130 \text{ management fee}$). Of course, in reality, there would not have been any annual service charge in that sum as the Headleases were only executed in September 2022. The sum used was only an "accounting tool" to assist the Respondent in making a fair assessment of what Ms Angelini and Mr De Stefano should contribute up until 31 March 2023. No issue is raised about that. The Respondent, quite understandably, only wanted them to contribute for the period from 6 January 2023 (when the relevant Underlease was executed) to the end of its accounting year on 31 March 2023. This was calculated as 84 days. Excluding the management fee, Ms Angelini and Mr De Stefano therefore paid £720.78 towards the Respondent's estimate of the Freeholder's "on account" estimated service charge for the period to 31 March 2023 ($\text{£}3,131.96/365 \times 84 = \text{£}720.78$).
22. As explained above, the Freeholder did not in fact demand any service charges from the Respondent prior to 31 March 2023. Therefore, in accordance with the practice outlined above, the Respondent reimbursed Ms Angelini and Mr De Stefano the £720.78 paid.
23. For the Respondent's accounting year 1 April 2023 – 31 March 2024, it adopted the same estimate of the "on account" estimated service charges it expected to pay to the Freeholder. Accordingly, the same £271.83 monthly contribution was sought from Ms Angelini and Mr De Stefano, which was paid every month.
24. After the end of the Respondent's accounting year (31 March 2024), it reconciled its accounts. It noted that it had been charged a total of £6,884.82 by the Freeholder during that annual period (in fact, it was £6,884.79, but no party suggests the 3 pence

difference is material). It had paid. The Respondent had only received £3,131.96 from Ms Angelini and Mr De Stefano for the period (excluding management fee), believing that left a shortfall of £3,752.86 (in fact, it was £3,752.83). It demanded this additional sum from Ms Angelini and Mr De Stefano on 2 September 2024. The Respondent then realised this sum included service charges demanded by the Freeholder for the period preceding the execution of the relevant Underlease on 6 January 2023, so revised the sum down to £3,150.65 on 20 September 2024, payable within 30 days. There was no issue about the computation of this sum and the Tribunal accepts it in any event. (In summary, it was calculated by assessing that Ms Angelini and Mr De Stefano were liable to pay £2,408.63 for the period 31 October 2022 – 30 September 2023 (£3,010.79 total had been invoiced by the Freeholder/335 days in the period = £8.99 per day x 268 days between 6 January and 30 September 2023 = £2,408.63). Adding this to the £1,937 sought for both half-year periods between 1 October 2023 and 30 September 2024 = £6,282.63. £6,282.63 - £3,131.96 = £3,150.67. Once again, it is unclear where the very minor discrepancy arose, this time of 2 pence, but no party considered it material.)

25. In practical terms, certainly from the Applicant's perspective, this sum of £3,150.65 equates to roughly a year's worth of expected service charge contributions. It was to be paid within 30 days, in addition to ongoing regular monthly payments. Although clearly a big surprise to the Applicants, the amount itself is not very surprising in light of the Respondent's accounting practice. On analysis, the sum relates (broadly) to the "on account" estimated service charges demanded by the Freeholder for the periods 6 January to 31 March 2023 and 1 April to 30 September 2024. Essentially, almost 2 years' worth of the Freeholder's service charge demands fell to be paid during a single accounting year of the Respondent. Ms Angelini and Mr De Stefano's regular monthly contributions only went towards the Respondent's estimate of the Freeholder's "on account" service charges for the one-year period 1 April 2023 to 31 March 2024. They had been reimbursed their £720.78 contribution that had been intended to be put towards the service charges due up until 31 March 2023, so they were, in effect, yet to settle those charges (or any part of them).

26. In light of the Respondent's accounting practice, it treated the entire £6,884.82 as service charges incurred in the year 1 April 2023 to 31 March 2024. It disregards that £1,937 of this sum in fact relates to the Freeholder's "on account" estimated service charges for 1 April – 30 September 2024. Again, in light of the Respondent's accounting practices, the actual monthly sums that had been paid by Ms Angelini and Mr De Stefano between April and September 2024 as contributions towards the service charges were also disregarded at this point. This is because these monthly contributions are taken by the Respondent to be payments that are being made towards its own (not directly-related) estimate of what the Freeholder will demand

by way of “on account” estimated service charges for the year 1 April 2024 to 31 March 2025. In the Tribunal’s view, this was, in reality, a rather contrived scenario. To aid understanding, the Tribunal felt it might help to explain the position further, slightly differently.

27. A significant part of the additional service charges demanded from the Applicants in September 2024 related precisely to the Freeholder’s “on account” service charges demanded from the Respondent for the period 1 April - 30 September 2024. During exactly this period, Ms Angelini and Mr De Stefano had been making regular monthly service charge contributions (since 1 April 2024 of £326.30), which they expected to be going towards meeting that Freeholder demand. In the Respondent’s view, that expectation was wrong. Their monthly contributions were going towards the Respondent’s estimate of what the Freeholder’s demand would be, not the demand itself. In that sense, some might consider they were being asked to pay the same “on account” estimated service charges twice, once directly in response to the Freeholder’s demand of 28 February 2024, once via the Respondent’s mechanism of estimating the annual service charges that will be demanded by the Freeholder and arranging for the Respondent’s estimate to be paid via monthly instalment. The Respondent refuted this analysis, but the Tribunal found it quite a realistic assessment.
28. What the Respondent says will happen (and maybe has now happened) is that, once it reconciles its accounts for the accounting period 1 April 2024 – 31 March 2025 after the end of that period, it will identify any surplus contributions made by the Applicants to that point and reimburse them.
29. Accordingly, if the Freeholder only sought payment “on account” of its estimated service charges for the period 1 April 2025 – 30 September 2025 on or after 1 April 2025, the Respondent will only have paid a single half-yearly demand during the whole of its accounting year 1 April 2024 – 31 March 2025 (the demand likely to have been made in or around 1 October 2024, but of which the Tribunal had no evidence). However, it will have received a year’s worth of service charge contributions from Ms Angelini and Mr De Stefano. Assuming the Respondent’s estimate of those service charge demands was not hugely inaccurate, Ms Angelini and Mr De Stefano would have received a reimbursement of some £2,000 or so in or around September 2025. In this scenario, the majority of what they were asked to pay in September 2024 would then be reimbursed a year later. Mr Singh pointed out at the hearing that he would much rather have had access to that sum at the time, rather than handing it, effectively interest-free, to the Respondent for a year. However, that might not have been so in an alternative scenario. If the Freeholder sought its “on account” estimated service charges for April – September 2025 prior to 1 April 2025, the

charges demanded would fall within the same Respondent accounting year. In this case, a full year's worth of estimated service charges would have been demanded in the Respondent accounting year, so there would likely have been relatively limited further monies due or reimbursed save for the usual "balancing", depending on how accurate the Respondent's estimate of the Freeholder's estimate was.

30. The upshot is that the Applicants' additional service charge contributions (or reimbursements) can fluctuate relatively wildly depending on the exact dates the Freeholder demands its "on account" service charges from the Respondent in or around April every year. If the Freeholder's service charge demands "settle" into a consistent pattern, matters should proceed smoothly. But this is not what happened in 2023/2024. The Respondent says that it offered mitigation for the additional demand by way of payment plans, but that was of little comfort to Ms Angelini and Mr De Stefano who were faced with a bill of over £3,000 on top of their regular monthly service charge contributions. This was significantly exacerbated by them lacking any clarity or comprehension about why they were being faced with such a significant additional "lump sum" charge, and it having been reduced by some £600 between 2 and 20 September 2024. Ultimately, they lost faith in the Respondent, all of which resulted in them bringing these proceedings.

31. In light of explanations given at the hearing, the Applicants now have clarity about where the additional charges originate from. The sums themselves are no longer in dispute. The only dispute is around the "mechanics" of the payment of the service charge and whether the sums demanded of them in September 2024 were payable at that time.

Relevant Law

32. The Landlord and Tenant Act 1985 provides a statutory framework for the management of service charges imposed by a landlord on a tenant. Section 18 provides a broad definition of "service charge" and "relevant costs". Such costs are those "*incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable*". Section 30 provides a broad definition of "landlord", including "*any person who has a right to enforce payment of a service charge*".

33. Section 19 limits the amount of "relevant costs" that can be recovered through a service charge, as follows.

"19. Limitation of service charges: reasonableness

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

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

(b) where they are incurred on the provision of services or the carrying out of works, only if the services or works are of a reasonable standard;

and the amount payable shall be limited accordingly”.

34. In relation to “on account” estimated service charges, section 19 (2) provides as follows.

“(2) Where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable, and after the relevant costs have been incurred any necessary adjustment shall be made by repayment, reduction or subsequent charges or otherwise”.

35. Section 27A explains how service charge disputes are to be resolved. It provides as follows, so far as is relevant.

“27A. Liability to pay services charges: jurisdiction

(1) An application may be made to the appropriate tribunal for a determination whether a service charge is payable and, if it is, as to—

(a) the person by whom it is payable,

(b) the person to whom it is payable,

(c) the amount which is payable,

(d) the date at or by which it is payable, and

(e) the manner in which it is payable.

(2) Subsection (1) applies whether or not any payment has been made”.

36. The Commonhold and Leasehold Reform Act 2002 provides a similar statutory framework for the management of administration charges imposed on a tenant of a dwelling. The framework is contained in schedule 11 to that Act. Paragraph 1 of the schedule provides a definition of “administration charge”, which includes sums payable by a tenant in respect of any failure to make payments to any other party to their lease when they fall due and sums payable in connection with a breach of covenant or condition in their lease.

37. Paragraph 2 is as follows.

“2. Reasonableness of administration charges

A variable administration charge is payable only to the extent that the amount of the charge is reasonable”.

38. Section 20C of the Landlord and Tenant Act 1985 provides that a landlord’s costs in connection with legal proceedings, such as the application before this Tribunal, can be excluded from a service charge:

“20C. Limitation of service charges: costs of proceedings

(1) A tenant may make an application for an order that all or any of the costs incurred, or to be incurred, by the landlord in connection with proceedings before a court, residential property tribunal or leasehold valuation tribunal or the First-tier Tribunal, or the Upper Tribunal, or in connection with arbitration proceedings, are not to be regarded as relevant costs to be taken into account in determining the amount of any service charge payable by the tenant or any other person or persons specified in the application.

...

(3) The court or tribunal to which the application is made may make such order on the application as it considers just and equitable in the circumstances”.

39. A similar provision in relation to administration charges is found at paragraph 5A of schedule 11 to the Commonhold and Leasehold Reform Act 2002.

40. Rule 13(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 allows the Tribunal to order a party to reimburse another party for any Tribunal fees paid.

The Issue

41. The issue for the Tribunal is very narrow: were the additional service charges demanded from the Applicants in September 2024 by the Respondent payable in principle?

Conclusions

42. The starting point for assessing the Applicants’ liability to pay the service charges in dispute (and, in truth, the end point in this case) is considering whether those sums are payable in accordance with the Underleases. The Tribunal has concluded they are not.

43. All that the Underleases require are that the Applicants “pay the service charge ... pursuant to the [Headleases]” (clause 3.3.5). It appears to the Tribunal that this

clause can be interpreted in two ways. Firstly, that the Applicants must reimburse the service charges that are payable by the Respondent to the Freeholder. Alternatively, that the Applicants take over primary responsibility for paying those service charges to the Freeholder. The Tribunal need not, and therefore does not, determine which is to be preferred. Nevertheless, the latter appears to be what the Headleases envisage in their clause 17.3.2. It is unclear why any reference is made to the underlessees otherwise – if the Respondent is intended to be, and remain, primarily responsible for the payment of service charges the clause would appear to be, at best, unnecessary, at worst misleading. Equally, it makes clear practical sense for a leaseholder in occupation to be paying for the benefit of estate services. If challenges are necessary, the occupier would also be far better placed to bring them. Paragraph 6 of Schedule 1 to the Headleases support that position also, providing that the Respondent would only become liable to pay those service charges in the event of the Applicants' default. Indeed, the Underleases themselves support this view, as there is a specific reference to the "Management Company" in clause 3.27.2 in the context of paying administration fees for a failure to make payments. The only location where the service charge provisions are clarified is in the Headleases. The Underleases are very clear that it is the Applicants that are expected to comply with those provisions. In fact, all clauses in all leases referred to above appear to support this interpretation. Further, nowhere in the Underleases are there any obvious provisions about paying the service charges to the Respondent directly in place of the Freeholder (or Management Company) and, perhaps more importantly, what happens were the Respondent not to pass on such receipts to the Freeholder. Clause 3.1 of the Underleases comes closest to establishing that service charges might be payable to the Respondent, but it is in a section entitled "rent", without specific reference to the service charges, and is conditioned to the "monies being due under this Lease". It is far from clear that the service charges are due under the Underleases rather than under the Headleases.

44. Despite these considerations, ultimately (as stated above), it is not necessary for the Tribunal to establish the precise construction of the Headleases and Underleases in this respect. Whichever way clause 3.3.5 of the Underleases is interpreted, the only service charges that the Applicants are obligated to pay are those "payable pursuant to the [Headleases]" (regardless of who has primary responsibility for doing so as between the Applicants and Respondent). Accordingly, if no service charges are payable pursuant to the Headleases, there is no obligation for the Applicants to pay them. In reality, what the Respondent requires of the Applicants is to pay the Respondent's estimate of the estimate of service charges that the Freeholder is yet to demand. In the Tribunal's view, the Underleases simply place no such obligation on the Applicants. Even if clause 3.1 is construed as broadly as the Respondent submits, the monies must still be "due" under the Underleases. They must be paid "at the

times and in the manner mentioned”. No service charges are “due” until demanded by the Freeholder. No other “time” or “manner” for payment is provided for in the Underleases. The clause would have to have been far more explicit for the Tribunal to determine that it extends to requiring the Applicants to pay the Respondent according to its “estimate of the Freeholder’s estimate” of future service charges, especially in circumstances where the only estimates that really matter – the Freeholder’s – have not yet been provided or corresponding service charge demands made. There is no obligation in the Underleases for the Applicants to pay any different or separate service charge to the Respondent that is not directly correlated to the service charges payable to the Freeholder. Nor is there any obligation to pay them at any specific time or manner other than foreseen in the Headleases (i.e. on the Service Charge Payment Dates or within 21 days of the Freeholder’s demand).

45. By the time the additional service charge demands were made, the Applicants had in fact made 6 months’ worth of contributions towards service charges for the same period. As far as Ms Angelini and Mr De Stefano are concerned, this amounted to $6 \times £326.30 = £1,957.80$. They had therefore contributed a total of (at least) £5,089.76 by September 2024 (the £3,131.96 contributed over the 12 months April 2023 to March 2024 + £1,957.80 contributed between April – September 2024). The Freeholder had demanded £6,282.63. $£6,282.63 - £5,089.76 = £1,192.87$. It is important to highlight that the actual intention of the monthly contributions from April 2024 onwards is precisely to satisfy the service charge demands for that period. Otherwise, from the outset of the Underleases, an additional “advance” service charge payment or similar would have been demanded.

46. Accordingly, £1,192.87 was the only outstanding sum demanded by the Freeholder and the maximum that Ms Angelini and Mr De Stefano could have been required to pay by way of service charge at that time. The Tribunal has said “at least” and “the maximum” because it is far from clear on what basis the Respondent purports to charge the Applicants a £130 annual “management fee”. There is no obvious requirement to pay that in the Underleases. Nevertheless, the issue was not directly in dispute (although it may be in future), so the Tribunal made no firm conclusions on the point. Even taking this “maximum” figure of £1,192.87, even adding to it an additional annual management fee of £130, the sum is less than half that demanded by the Respondent. The sum correlates much more closely to the £720.78 reimbursed to Ms Angelini and Mr De Stefano, although some £500 higher due to the Respondent’s estimates having proven inaccurate. The Applicants said at the hearing that they would have far better understood and accepted this additional charge.

47. It is worth highlighting that the Respondent did not provide any evidence that the Freeholder had demanded the half-year “on account” estimated service charge relating to the period 1 October 2024 – 31 March 2025 so the Tribunal concluded it had not done so by the time of the Respondent’s September 2024 demands. The Applicants were in no position to provide any such document themselves. Even had the Freeholder done so, it was patently clear both that the Respondent’s additional demands were not referable to any such Freeholder demand, and that the remaining monthly contributions scheduled for the period October 2024 to March 2025 were intended to address that Freeholder demand. Accordingly, it would have provided no good basis for the additional September demands. In any event, as will now be explained, it would also not have been reasonable to require the Applicants to make the additional payment on that basis.

48. On an alternative analysis, even if the Tribunal is wrong and the Underleases do include an obligation on the Applicants to pay service charges amounting to the Respondent’s free-standing estimate of the Freeholder’s yet-to-be established estimate, the same result is obtained. This is due to the operation of section 19(2) of the Landlord and Tenant Act 1985. The “relevant costs” for this purpose would seem to be the costs estimated to be incurred by the Respondent (i.e. the Freeholder’s “on account” service charges), although the Tribunal accepts this may be a relatively strained interpretation. Section 19(2) permits a service charge to be levied prior to those costs being incurred, but only to the extent reasonable. In the present circumstances, there was already a monthly contribution plan specifically set up to address the expected “on account” service charge demands from the Freeholder up until September 2024 (indeed up until 31 March 2025). In the Tribunal’s view, it would be plainly unreasonable to seek payment relating to the same anticipated Freeholder service charge demands by way of “parallel” or “additional” service charge demand, which is what much of the September demand amounts to. It would only be reasonable to seek additional charges to the extent of any shortfall between the Freeholder’s demands and what the Applicants had already paid (i.e. the pre-March 2023 demands and the shortfall between the Respondent’s estimates and what the Freeholder had in fact demanded). The resulting additional payments that would be payable are therefore identical to those outlined above. In relation to any additional Freeholder demand that might have been received around September 2024, if the monthly contributions were now assessed to be insufficient to meet that demand, the logical course would seem to be to adjust the monthly contributions not to request an additional lump sum in advance. That said, the latter course might also be considered reasonable, but it’s important to stress that no such exercise took place in this case to justify the Tribunal concluding that any part of the additional service charge demand in September 2024 should be found payable on that account.

49. By this decision the Tribunal does not mean to criticise the practical arrangements in place between the parties around the payment of service charges. Whether the Respondent is contractually entitled to demand the service charges on its own account, or as agent of the Freeholder or POD (or some other basis), is of little real importance to this case, which is why the Tribunal has not determined that matter. Having an arrangement in place whereby service charge contributions are sought in monthly instalments, as part of one single payment together with rent, may well be of mutual benefit to all concerned, even if the contributions do not directly correlate to the Freeholder's service charges demands that they are intended to meet. Equally, there is no reason why the parties can't agree in practice to create a separate "fund" to put towards the Freeholder's service charges once demands are received. This would be a perfectly sensible arrangement, especially for those that may not have lump sums available when half-yearly "on account" service charge demands are made and for whom regular payments may permit better financial management. None of this was really the subject of the dispute, which was purely whether, pursuant to the Underleases, the Applicants were *required* to pay the additional service charge demands made in September 2024, and therefore liable for the purposes of section 27A of the Landlord and Tenant Act 1985. They would have been free to make the contributions had they not objected to doing so.

50. There is always a risk of disagreement when service charge arrangements are not clearly explained and understood by all. In this case, as noted above, it seems that the contractual framework rather points towards the service charges being payable directly to the Freeholder/POD by the Applicants, rather than via the Respondent. This would have some conceivable advantages, such as the Applicants receiving demands directly as well as final year certificates so that they know where their contributions have been spent (as happens in a great deal of straightforward leasehold arrangements). Equally it would avoid the situation whereby the Applicants are being required to pay "estimates of estimates", and apparently incurring a fee for that, rather than simply paying the Freeholder's demands as and when they are made. As importantly, it would avoid the sort of legal dispute that underlies this case. Indeed, had the Respondent properly understood and applied the service charge provisions of the Headleases, Ms Angelini and Mr De Stefano would not have seen their pre-31 March 2023 service charge contributions reimbursed to then be, essentially, demanded afresh (albeit adjusted to the actual service charge demands) in 2024. Maybe this is a result of the Respondent being unclear about the provisions of the Headleases, the service charges being principally a matter for the Freeholder and POD. In the same vein, the Applicants' monthly service charge contributions would perhaps not have been considered somehow "isolated" from the actual Freeholder demands being made, despite those very same

demands being those to which the contributions were always ultimately destined, but for the Respondent's accounting practice.

51. On the other hand, there are advantages to the scheme the Respondent has sought to put in place. Management fees might be lower overall, the support offered to those who cannot, or are not, paying their service charges may be different. Administratively, it is simpler to have single points of contact and payment for all of the Freeholder/POD, Respondent and Applicants.
52. It is not the Tribunal's role to determine what payment system should prevail in practice. All the Tribunal must do is apply the law, so far as relevant to the proceedings before it, which in this case is the leases (and only the very limited provisions applicable to this case) and the Landlord and Tenant Act 1985. If the Respondent (presumably with the Freeholder's and/or POD's participation) had wished to enter into a different contractual matrix upon agreeing the Headleases and Underleases, it could have done so. If the proper construction of that broader matrix has to be determined at some future point, so be it. Hopefully that can be avoided if the parties can, in practice, reach a mutually agreeable way of settling the Freeholder's service charges (which no-one disputes must be paid by the Applicants).
53. The Respondent suggests that the outcome of this case might cause it "administrative difficulty" due to its established accounting practices. It could and should have considered that before executing the Underleases. The Tribunal's role is only to apply their provisions. The alleged difficulties are far from insurmountable. Exactly what might be done is a matter for the Respondent. Nothing beyond keeping a "running tally" of service charge contributions made by the Applicants and to correlate that to the Freeholder's service charge demands is required (and arguably only at the point that significant "additional" demands might be made). Presumably somebody within the Respondent's organisation must be following the service charge accounts to some extent (or be capable of doing so), not least to identify any leaseholders that might be falling behind with their payments. It is an entirely conventional practice followed by very many freeholders and managing agents. It must also not be forgotten that the Applicants clearly also suffered "administrative difficulty" in having to settle entirely unanticipated invoices for over £3,000, in circumstances where they believe they had been paying all that was required of them (which, in large part, they had, save as to a significantly lower sum that they accepted was payable).
54. As to the precise terms of the Tribunal's decision, it had insufficient information about Mr Harrod's and Mr Singh's service charges to make any specific determinations in respect of their applications. Accordingly, it has made a generic determination that it trusts is sufficiently clear to allow any necessary steps to be

taken. It may be that none are required as credits may since have been applied to the relevant service charge accounts. The Tribunal expects the parties to cooperate in putting its decision into effect. Effectively, any funds paid by the Applicants on account of service charge contributions in September 2024 may by now have been put towards subsequent Freeholder demands. For those Applicants that haven't paid all they must, for instance Ms Angelini and Mr De Stefano may still owe the Respondent £1,192.87, they should arrange to do so without delay. Any outstanding "credit balances" that can be traced back to September 2024 should be reimbursed, but only to the extent they exceed the totality of service charge demands made by the Freeholder to the Respondent.

Costs

55. The Applicants have succeeded in large part with their application. However, a significant part of the service charges demanded in September 2024 remain payable. It is quite clear that the Applicant's complaint very much originated in the Respondent's failure to explain and justify the additional charges sought, and to adhere to the terms of the Underleases in so doing. Had the additional charges been sought in the correct sum (as provided for in the Underleases) and after proper explanation (and preferably without the service charge contributions from the period up until March 2023 having been reimbursed, contrary to the provisions of the Headleases) it is likely the proceedings could have been avoided.
56. With this in mind, the Tribunal determined that the proceedings originate with the Respondent's failure to correctly adhere to the terms of the Underleases. In these circumstances, it is just and equitable to allow the Applicants' application under section 20C of the Landlord and Tenant Act 1985. No part of the costs of these proceedings are to be borne by the Applicants.
57. The Applicants also requested an order under paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002, which would be of similar effect. It would prevent the Respondent from seeking to impose an administration charge referable to the costs of these proceedings. For similar reasons, the application is allowed because the order is justified.
58. The Tribunal therefore orders that no part of the Respondent's costs in connection with these proceedings are to be charged to the Applicants.
59. As to the reimbursement of Tribunal fees, the Applicants have been successful in the core element of their application, which justified them bringing these proceedings.

Once again, for similar reasons, the Tribunal was therefore satisfied that it should order the Respondent to reimburse the Tribunal fees incurred.

Judge Hunt

13 November 2025