FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case reference	:	**CAM/12UE/LSC/2024/0007**
Property	:	**Flat 3 The Old Mill Office Fishers Yard St Neots PE19 2AG**
Applicant	:	**Lucy McDougal and Nathan Lee**
Respondent	:	**Oak House Homecare Limited**
Representative	:	**Mr Skoyles**
Type of application	:	**For the determination of the liability to pay service charges under section 27A of the Landlord and Tenant Act 1985**
Tribunal members	:	**Judge Adcock-Jones** **Mr Michael Ayres FRICS**
Venue	:	**Via CVP**
Date of hearing	:	**8 September 2025**
Date of decision	:	**10 September 2025**

DECISION

Decisions of the Tribunal

(1) The Tribunal determines that the Respondent is to pay the Applicants the sum of £724.50 paid in respect of service charge year 2024 for Health and Safety Works within 14 days of the date of this decision.

(2) The Tribunal makes an order under section 20C of the Landlord and Tenant Act 1985 ("the 1985 Act") and 5A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002 to prevent the Respondent from recovering litigation costs of these proceedings as a service charge and/or administration charge.

(3) The Tribunal makes an order under Rule 13(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 ("the Tribunal Rules") in respect of reimbursement of the Applicants' Tribunal fees totalling £327.00 to be paid by the Respondent within 14 days of the date of this decision.

The Application

1. The Applicants seek a determination pursuant to section 27A of the 1985 Act as to whether service charges are payable in respect of the service charge year 2024.

2. The Applicants further sought an order to limit the recovery of the Respondent's costs of the proceedings through any service charge and/or administration charge and for an order for reimbursement of their Tribunal Fees pursuant to Rule 13(2) of the Tribunal Rules.

The Hearing

3. A remote hearing was held by CVP video. The Applicants were represented by the First Applicant and the Respondent was represented Mr Skoyles. Mr Price of Belvoir was also in attendance, as the new Property managing agent.

4. The approach taken by the Tribunal was to examine the disputed service charge with the parties addressing the Tribunal with their respective position. Witnesses were not formally called, although all parties helpfully assisted the Tribunal in answering any additional questions or providing further information during the hearing.

The Background

5. The Applicants are the leasehold owners of the Property which is described as a two bedroom, terraced house. There is a large decked terrace which spans the first floor across all of the terraced properties

with a one-storey staircase which provides an alternative access and/or exit point.

6. No-one requested an inspection of the Property, and the Tribunal did not consider that one was necessary, nor would it have been proportionate to the issues in dispute.

7. The Lease requires the landlord to provide services and the tenant to contribute towards their costs by way of a variable service charge. The specific provisions of the lease will be referred to below, where appropriate.

8. The Application for determination of payability of service charges were made on 17 March 2024 and received by the Tribunal in the same month. Directions were issued by Mary Hardman FRICS on 25 January 2025.

Procedural Issues

9. The directions provided for an agreed bundle to be prepared. Initially, documents were provided on a piecemeal basis prompting the Tribunal to re-direct the parties to the directions issued and request one bundle be produced in advance of the hearing. However, the Tribunal were provided with a bundle of documents for each party.

10. The parties are reminded of the importance of complying with the directions, particularly those pertaining to the bundle which will assist the Tribunal in understanding the issues and being directed to appropriate evidence expediently.

The Issues

11. At the start of the hearing the Tribunal identified the relevant issues for determination as follows:

- whether the identified charge, relating to Health and Safety, was validly demanded and payable under the terms of the lease for 2024 and, if payable, reasonable;

- whether an order under section 20C of the 1985 Act and/or paragraph 5A of Schedule 11 of the 2002 Act should be made, if such orders are sought;

- whether order for reimbursement of application\hearing fees should be made

12. The relevant legal provisions are set out in the Appendix to this decision.

The Lease

13. The Tribunal was provided with a copy of the Lease dated 27 November 1998.

14. Under clause 2(4), the Lessee covenanted to pay the Company the Interim Charge and the Service Charge.

15. As to further clarification as to the interim and service charges, the Tribunal considered the Fourth Schedule. Clause (1)(2) defined the service charge, meaning such proportion of the total service costs as set out in paragraph 9.

16. The interim charge was defined under subparagraph (3) as such sum to be paid on account of the service charge in respect of each accounting period as the auditors of the Lessor or the Company (as the case may be) or the Managing Agents shall specify at their discretion, to be a fair and reasonable interim payment.

17. The interim charge is to paid by equal half yearly payments in advance on the 1st of July and the 1st of January in each year. In the case of default, the same shall be recoverable as rent in arrears.

18. If any excess sum is paid, the balance is carried forward and credited to the account of the Lessee for the succeeding accounting period.

19. Paragraph (5) of the Fourth Schedule says that as soon as is reasonably practicable, at the end of each accounting period, the Lessee shall be served with a certificate signed by the auditors of the company in respect of the service charges.

20. Reserve funds are provided for at paragraph 8 of the Fourth Schedule. Any reserves shall be deposited with a trust corporation to the credit of a Trustee Account in the name of the Company.

21. Paragraph 9 further defines theservice charge in terms of the relevant apportionments of the leaseholders. In this case, subparagraph E provides for 25% of the repair and maintenance of

    (i) The main structure of the Building, exterior boundary walls, fences and drains thereof and communal services therein.
    (ii) The metal access way from the Demised Premises to Fishers Yard
    (iii) The communal entrance passages in the forecourt area and the foundations of the Building.

    Provision is also made for a fair proportion (according to usage) of all sums payable by the Company from time to time in compliance with its obligations under Clause 5(3)(i), (x), (xi) herein.

Determination

22. The Tribunal determined that the application was to be considered under section 19 of the 1985 Act.

23. Section 19(1) limits the amount payable for a service charge to the extent that it is "reasonably incurred" and that services or works are "of a reasonable standard".

24. A Scott Schedule was provided completed by the Applicants but not by the Respondent.

25. The disputed service charge related to "Health and Safety Works" which pertained to the top platform of the stairway being possibly loose and needed reinforcing and fixing.

The Applicants' Position

26. The Tribunal confirmed that the Applicants were not questioning the payability of the service charge under the Lease, only the reasonableness of the service charge that had been claimed and paid. She conceded that she was not pursuing the line of argument regarding the service charge not being covered by insurance having conducted more research. The First Applicant accepted that there was no insured event which caused the stairway to be repaired.

27. It was confirmed that notwithstanding that she had paid in full, the health and safety works have not yet been carried out. The quotation received as part of the Section 20 consultation process provided for a higher figure than that included within the service charge apportionment document and there was no explanation given for this difference. She confirmed that she had not provided any observations in respect to the Section 20 consultation process due to the ongoing Tribunal proceedings.

28. In respect of the Terrace Reserve Fund, the parties assisted the Tribunal in providing a description of the terrace structure which was also cross referenced with Google Maps and the plans which formed part of the Lease.

29. The Applicant was critical of the sequence of events between her being charged £724.50 being her apportionment of the health and safety works which was demanded on 19 January, 2024 and the date of the commencement of the Sectioon 20 consultation process 16 December 2024 as it was not clear how the two related to each other.

30. She referred the Tribunal to the screenshot conversation that she had had with the previous managing agents seeking information which was not provided. The Tribunal noted that there was reference to a health and safety risk assessment which presumably prompted the works, yet

she had not seen a copy of this and it was not provided by either party within the papers.

31. In terms of the reserve funds, she did not know for what the general reserve fund was used and was therefore seeking full transparency. When asked why she had not engaged in mediation when offered, she stated that this had been offered a year after she had paid the money and her questions raised in April 2024 had not been answered. She therefore elected to follow the Tribunal process. She had paid the last service charge by way of monthly instalments and had paid in full by the 31 January 2025. She had no idea what happened to that money she had paid as there was no reference to the payments in her accounts on the managing agent's portal.

The Respondents' Position

32. Mr Skoyles was asked why the works have not been carried out and he said that this issue was with the previous managing agents. He had visited the Property and noted that the platform on the staircase was bouncing a little and needed reinforcing and fixing. In respect to the delay, he noted that this would have led to significant price increases. Therefore, the quotation provided with the Section 20 consultation process was likely no longer accurate. Neither party provided any up-to-date quotations.

33. HML had informed him about the Tribunal proceedings, and he had asked to resolve the issue through mediation. He had seen the health and safety risk assessment referred to in the service charge apportionment document. He stated that he did not deal with the Property on a day-to-day basis and that is why he appointed managing agents. He had been before the Tribunal on two previous occasions. In the second occasion, had been informed by the Tribunal that he lacked the qualifications to understand the intricacies of managing a property and he was therefore grateful for the assistance of a managing agent.

34. Mr Skoyles was assisted by Mr. Price of Belvoir managing agents who now manage the Property. Mr Price confirmed that he had also not seen the risk assessment but had had a conversation with Rhiannon at HML about it. Whilst he could not say for sure, he mooted that the payments were collected in advance to assist the leaseholders given it is a significant sum of money so that the money was effectively collected ready to then commence the Section 20 consultation process.

35. Whilst initially Mr. Price stated that there were no plans for the work to be done, following further questioning by the Tribunal, he clarified that the work needed to be done. However, such action had been put on hold pending the outcome of the Tribunal's decision. He noted that if the work was not to be carried out, then it would even be credited under the terms of the Lease against the next accounting period or potentially returned to the leaseholders.

36. The Tribunal inquired whether there was any long-term plan which would justify the reasons for the reserve funds. To be clear, the Tribunal acknowledges that reserve funds are sensible but normally a long-term plan is in place.

37. Both Mr Skoyles and Mr. Price confirmed that there was no plan in place. They both stated that reserve funds were clearly needed for such properties and alluded to potential issues in the future pertaining to the roof, for example. It was acknowledged that full transparency would be required and that the lack of information provided could have been confusing for leaseholders.

38. When referred to the difference in reserve funds in the accounting balancing sheet in previous years, and asking what the money had been spent on, no further information could be provided. Mr. Price stated having only managing the property since April or May 2025, they had not received information from HML. There did not appear to be any documentation packet provided or proper handover notes from HML.

39. It was ascertained from correspondence within the bundle by Mr Skoyles that the lower quotation provided was as a result of him contacting HML and instructing them to submit a much lower estimate as he thought his company would have the skill set to deal with the matter, but this was not the case, and it now required a professional contractor.

40. Mr. Price confirmed that he could not provide all of the information required as this was before he was appointed as managing agent. But again, confirmed they had not made any plans and that they may, depending on the Tribunal's decision, use the money that had been collected and some from the reserve fund but again, this would depend on the Tribunal's decision.

41. Mr Skoyles acknowledged that full transparency was in everyone's interest. Further information could have been sent out and that really there should be consultation with all the leaseholders to agree with the managing agent as to what reserve fund should cover. The examples he gave were relating to the terrace, roof, flooding and subsidence issues.

The Tribunal's Decision

42. The Tribunal was concerned about the vagueness of information provided and the lack of documentation provided by the Respondent to support the reasonableness of the service charge.

43. The Tribunal acknowledges that Belvoir have taken over management of the Property from HML this year so did not deal with the issue at the material time; however, the Tribunal is critical that no proper handover or documentation packet appears to have been transferred between the two agents, which would clearly have assisted with the proper management over the Property.

44. Whilst it is commonplace for managing agents to be appointed to deal with the day-to-day running of properties as in this case Mr Skoyles had arranged, it is insufficient for a freeholder not to have some input into what is going on with a Property that he owns as freeholder.

45. The Tribunal is concerned that the quotation provided with the section 20. Consultation notice is higher than the service charge sum demanded and that this lower sum appears to have been an estimate provided by Mr Skoyles without any cooperative evidence in support. Moreover, neither the leaseholders nor the Tribunal have been provided with a copy of the health and safety risk assessment that apparently gave rise to the demand for the service charge. In the absence of such evidence, which should have been readily available and disclosed to the Applicants, the Tribunal, does not consider it reasonable to expect a leaseholder to pay a significant sum of money for which they have not been provided any information or actual cooperative evidence in support.

46. The Tribunal is critical of the vagueness of answers provided in respect of the use, both past and future, for the reserve funds noting that it is unusual for a property of this type not to have some form of long term plan in place which could assist the leaseholders in understanding for what they are paying.

47. The Tribunal was also unimpressed with the lack of clarification as to why the terrace reserve fund could not be used, even partially, in respect of the stairway repair given that such stairway adjoined the decked terrace itself.

48. Therefore, the Tribunal determines, as a finding of fact that there was no corroborative evidence to support the reasonableness of the service charge demanded and therefore considers that the sum of £724.50 should be returned to the Applicants within 14 days of this decision.

49. In respect of the parties' positions regarding mediation, whilst the Tribunal would always advocate for parties to engage in mediation to try and narrow the issues in dispute and perhaps open clear channels of communication between the two to allow for a better contractual relationship moving forwards, in this instance, the Tribunal accepted the Applicants' position given the behaviour of HML and the lack of information forthcoming from them despite the Applicants' reasonable requests.

50. The Tribunal also expresses concern about the ongoing management of the property and notes that better engagement and communication should be followed in the future to ensure full transparency as to service charge demands.

51. Whilst the Tribunal cannot order as such, if the risk assessment is eventually disclosed and if within which the need for remedial works to be undertaken to the stairway is demonstrated, then it would be prudent

for the Applicants to potentially ring fence the money returned as it may be the case that such sums need to be repaid in the future upon the provision of a proper quotation and in following the Section 20 consultation process. However, this is a matter for them and their financial management.

<u>Application under section 20C and paragraph 5A of Schedule 11 and for refund of fees</u>

52. The Applicants applied for an order under section 20C of the 1985 Act to limit recovery of the Respondent's costs of the proceedings through the service charge and under section 5A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002 through administration charges.

53. In support of this Application, the First Applicant reiterated her confusion as to who was actually responsible for the Property and reiterating that she had not had any response to her inquiries with the previous property agents for over a year. She therefore felt obliged to go through the Tribunal process. She therefore asked for those orders to be made and for £327.00 in respect of the £100.00 application fee and £227.00. hearing fee to be paid by the respondent. She also sought a reflection of the £724.50 that she had paid under the service charge to be credited to her service charge account or communication provided as to where these costs paid were. Ultimately, she was seeking full transparency. She added that half of her service charge payments went towards reserve funds and she had never been given a full account of where these were spent each year.

54. Mr Skoyles responded and stated that he had no real objection to what the Applicants had raised noting that HML not accounted for all of the information required and the obligation fell on him. However, he reiterated that both himself and his new agent were in full agreement that things needed to change and full transparency would be provided moving forward. He said that the situation could have been resolved and dealt with by way of arbitration and therefore asked that any order made be reflected at 50%.

55. Given the Tribunal's findings above, the Tribunal considers it appropriate to make an order under Section 20C of the 1985 Act and paragraph 5A of the 2002 Act to prevent recovery by the Respondent of their costs of the proceedings by way of service charge and/or by administration charges.

56. In respect of the Tribunal fees, as the Applicants have been successful in their application, the Tribunal considers it to be just and equitable to exercise its discretion to order reimbursement of the Applicants' Tribunal fees for the application and hearing fees in the sum of £327.00, payable in 14 days.

Name:	Judge Adcock-Jones	**Date:**	10 September 2025

Rights of appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made to the First-tier Tribunal at the regional office which has been dealing with the case.

The application for permission to appeal must arrive at the regional office within 28 days after the tribunal sends written reasons for the decision to the person making the application.

If the application is not made within the 28-day time limit, such application must include a request for an extension of time and the reason for not complying with the 28-day time limit; the tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).

Appendix of relevant legislation

Landlord and Tenant Act 1985 (as amended)
Section 18

(1) In the following provisions of this Act "service charge" means an amount payable by a tenant of a dwelling as part of or in addition to the rent -

(a) which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and

(b) the whole or part of which varies or may vary according to the relevant costs.

(2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable.

(3) For this purpose -

(a) "costs" includes overheads, and

(b) costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.

Section 19

(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 provisions of services or the carrying out of works, only if the services or works are of a reasonable standard;

and the amount payable shall be limited accordingly.

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

20 Limitation of service charges: consultation requirements

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

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

(b) except in the case of works to which section 20D applies, dispensed with in relation to the works or agreement by (or on appeal from) the appropriate tribunal.

(2)In this section “relevant contribution”, in relation to a tenant and any works or agreement, is the amount which he may be required under the terms of his lease to contribute (by the payment of service charges) to relevant costs incurred on carrying out the works or under the agreement.

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

(4)The Secretary of State may by regulations provide that this section applies to a qualifying long term agreement—

(a)if relevant costs incurred under the agreement exceed an appropriate amount, or

(b)if relevant costs incurred under the agreement during a period prescribed by the regulations exceed an appropriate amount.

(5)An appropriate amount is an amount set by regulations made by the Secretary of State; and the regulations may make provision for either or both of the following to be an appropriate amount—

(a)an amount prescribed by, or determined in accordance with, the regulations, and

(b)an amount which results in the relevant contribution of any one or more tenants being an amount prescribed by, or determined in accordance with, the regulations.

(6)Where an appropriate amount is set by virtue of paragraph (a) of subsection (5), the amount of the relevant costs incurred on carrying out the works or under the agreement which may be taken into account in determining the relevant contributions of tenants is limited to the appropriate amount.

(7)Where an appropriate amount is set by virtue of paragraph (b) of that subsection, the amount of the relevant contribution of the tenant, or each of the tenants, whose relevant contribution would otherwise exceed the amount prescribed by, or determined in accordance with, the regulations is limited to the amount so prescribed or determined.

Section 27A

(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.

(3) An application may also be made to the appropriate tribunal for a determination whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any specified description, a service charge would be payable for the costs and, if it would, as to -

(a) the person by whom it would be payable,
(b) the person to whom it would be payable,
(c) the amount which would be payable,
(d) the date at or by which it would be payable, and
(e) the manner in which it would be payable.

(4) No application under subsection (1) or (3) may be made in respect of a matter which -

(a) has been agreed or admitted by the tenant,
(b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the tenant is a party,
(c) has been the subject of determination by a court, or

(d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.

(5) But the tenant is not to be taken to have agreed or admitted any matter by reason only of having made any payment.

Section 20C

(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 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.

(2) The application shall be made—

(a) in the case of court proceedings, to the court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to a county court;

(aa) in the case of proceedings before a residential property tribunal, to that tribunal;

(b) in the case of proceedings before a residential property tribunal, to the tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to any residential property tribunal;

(c) in the case of proceedings before the Upper Tribunal, to the tribunal;

(d) in the case of arbitration proceedings, to the arbitral tribunal or, if the application is made after the proceedings are concluded, to a county court.

(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.