FIRST-TIER TRIBUNAL
PROPERTY CHAMBER (RESIDENTIAL PROPERTY)

Case reference	:	**CAM/00MX/LSC/2025/0632**
Property	:	**52 Badger Way, Hazelmere, Bucks HP15 7LT**
Applicant	:	**Joan McNeill**
Respondent	:	**Peabody Trust**
Representative	:	**Gavin Fawcett**
Type of application	:	**For the determination of the reasonableness of and the liability to pay service charges**
Tribunal members	:	**Judge K. Saward** **Tribunal Member S. Johnson**
Date of hearing	:	**16 April 2026**
Date of decision	:	**24 April 2026**

DECISION AND REASONS

Decisions of the Tribunal

(1) The Tribunal determines that the sums payable by the Applicant in respect of service charges for buildings insurance are:

(a) **£209.56** (being the estimated sum of £86.40, plus £123.16 deficit) **for the service charge year 2023/24**
(b) **£431.72 for the service charge year 2024/25**
(c) **£466.66 for the service charge year 2025/26**

(2) The Tribunal makes an order under section 20C of the Landlord and Tenant Act 1985 ("the 1985 Act") so that none of the landlord's costs of the Tribunal proceedings may be passed to the Applicant through any service charge.

(3) The Tribunal makes an order under paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 ("the 2002 Act"), extinguishing any liability of the Applicant to pay any administration charges in respect of the litigation costs of this application insofar as they might otherwise have been payable under their lease

(4) The Tribunal makes an order under Rule 13(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 ("the Tribunal Rules") requiring the Respondent to pay the Applicant the sum of £341.00 within 28 days of the date of this Decision, in reimbursement of all their Tribunal fees

The application

1. The Applicant seeks a determination pursuant to section 27A of the 1985 Act as to the amount of service charges payable by her in respect of the three service charge years 2023/24, 2024/25 and 2025/26. For all 3 years, the Applicant disputes the service charges for building insurance costs. The Applicant had also challenged "additional service charges for maintenance and improvements" in 2023/24. The total sum in dispute is given in the application as £1,658.64. These last two points were the subject of clarification at the hearing and are addressed below.

2. The relevant legal provisions are set out in the Appendix to this Decision.

3. The application also seeks orders: (a) under section 20C of the 1985 Act to limit any recovery of the Respondent's costs of the proceedings through the service charge; and (b) under paragraph 5A of Schedule 11 to the 2002 Act to reduce/extinguish their liability to pay an administration charge in respect of litigation costs.

The hearing

4. The Applicant, Mrs McNeill, appeared in person at the hearing. The Respondent was represented by Gavin Fawcett, Service Charge Manager at Peabody Trust. There was a short delay in the start of the hearing whilst attempts were made to enable Mr Fawcett's camera and audio. When this could not be fixed, Mr Fawcell joined by telephone. Mrs McNeill raised no objection, and the Tribunal was satisfied that it was fair and just to proceed in this manner. No issues emerged.

5. The Tribunal was provided with a hard copy of the hearing bundle. As the bundle is unpaginated, it presented some difficulty navigating to the pages under discussion.

6. By Case Management Directions dated 13 August 2025, the Respondent was directed (at paragraph 7) to provide a statement setting out:
(a) a response to the points made by the Applicant in their statement;
(b) the relevant service charge provisions in the lease;
(c) any legal submissions in support of the service charges claimed, including argument, if liability to pay is in issue;
(d) any representations in response to the section 20C and paragraph 5A applications;
(e) any other matters relied upon.

7. The Directions also required the Respondent to provide copies of all relevant invoices and any signed witness statements of fact relied upon. Despite these clear Directions, the Respondent did not provide a statement in response with supporting evidence. Nor did the Respondent complete the Scott Schedules, although some invoices were provided and the service charge demands were contained in the bundle.

8. Given the shortcomings in the bundle, the approach taken by the Tribunal was to clarify the disputed items and amounts in issue and to give each side the opportunity to make submissions in a structured discussion. The Tribunal proactively questioned the parties to extract the information needed to make its determinations.

The background

9. The Property which is the subject of this application is a 2-storeyed, semi-detached, 3 bedroomed house that was constructed in 1996.

10. The Applicant bought a 50% share of the Property, from new, under a shared ownership scheme with Northcote Housing Association Limited, a registered social housing provider. The Respondent, Peabody Trust, acquired the freehold interest in the Property in 2023. It is a housing association and the current landlord under the shared ownership lease.

11. Under the terms of the lease held by the Applicant, the landlord is required to provide certain services, and the leaseholder must contribute towards the costs by way of a variable service charge. The specific provisions of the lease are referred to below, where appropriate.

12. No inspection of the Property was requested, and the Tribunal did not consider it necessary or proportionate to the issues in dispute.

<u>The issues</u>

13. At the start of the hearing, the parties agreed that the relevant issues for determination are as follows:

    (i) Whether the disputed charges are payable by the leaseholder under their lease;

    (ii) Whether the costs are reasonably incurred/reasonable;

    (iii) Whether an order under section 20C of the 1985 Act and /or paragraph 5A of Schedule 11 to the 2002 Act should be made; and

    (iv) whether an order for reimbursement of application/hearing fees should be made.

<u>Role of the Tribunal</u>

14. The role of the Tribunal is to determine the issues above with regard to the applications before us. It is not our role to comment on whether leaseholders should be able to arrange their own buildings insurance. We make no comment on the Applicant's views in this regard.

<u>The lease</u>

15. A certified copy of the shared ownership lease for the Property is provided within the bundle. It is dated 15 November 1996, being the date from which the 99-year term commenced.

16. Clause 2 of the lease provides that the leaseholder holds the lease subject to payment of (i) the specified rent (ii) a sum equal to the amount expended by the landlord in complying with the covenant in clause 4(2) to be payable to the landlord on demand, and (iii) such sum as may from time to time be payable by the leaseholder to the landlord pursuant to clause 3(4), to be payable on demand.

17. It is clause 4(2) which is relevant here. Under clause 4(2) the landlord covenants "to keep the Premises insured against loss or damage by fire and such other risks as the Landlord may from time to time reasonably

determine or the Leaseholder or the Leaseholder's mortgage may reasonably require in some insurance office of repute to its full reinstatement value (including all professional fees in connection with any reinstatement and two years loss of rent...."

18. Whilst the lease allows for the charges to be payable 'on demand', the Respondent raises service charges for the 12-month period from 1 April in each year.

Applicant's submissions

19. By way of summary, the Applicant made the following points.

20. Until the Respondent took over from 'Catalyst' in 2023, the Applicant says that she had no issues with the service charges.

21. For all three service charge years, the Applicant queries why the buildings insurance is so high, when a policy on the open market could be obtained for £200.00 per year in 2023/24 and up to £400.00 in 2024/25. The Applicant considers that if prices are increasing so dramatically, this would affect the whole market, not just housing associations, which are meant to be non-profit making.

22. The Applicant submits that according to the Association of British Insurers ("ABI"), the average UK buildings-only home insurance premium was approximately £284 per year at the end of 2023. By the end of 2024, the average cost had risen to £298, and by the end of 2025, the ABI statistics show the average cost as £321.

23. The Applicant is aggrieved that she is being charged four times more than if she had arranged her own insurance. The Applicant has made no claims herself on the building insurance policy and suspects that she is subsidising others who have made claims.

24. During the hearing the Applicant referred to having sourced an on-line buildings insurance quote for her Property in one of the disputed years. As no details are before us, we cannot take the quote into account.

Respondent's submissions

25. The Respondent did not provide a written response. The position taken by Mr Fawcett at the hearing reflected the content of an information sheet produced by Peabody for leaseholders to explain why buildings insurance costs were increasing. The main points made are summarised below.

26. The former Housing Association was 'Catalyst'. Before Peabody and Catalyst merged, Catalyst had "*secured an insurance deal with exceptionally low premiums for homeowners. This arrangement ended in July 2023, and changes in the market mean we couldn't renew at the same low rates*." Peabody has a single policy for all its properties to make sure it gets the best value for money. Insuring blocks or properties individually would be much more expensive due to higher claim risks and additional management costs.

27. Factors identified by the Respondent as "causing the price hike" include (i) many insurers leaving the social housing market resulting in fewer insurers who are charging more (ii) reinsurance costs having increased by 50% (iii) higher reinstatement valuations (iv) rising costs with inflation causing labour and material costs to rise over 60%, and (v) more people working from home since the pandemic leading to a rise in claims.

28. By letter dated 27 June 2023, the Applicant was sent a Notice of Landlord's Proposal of the Respondent's intention to enter into a long-term agreement for the provision of buildings insurance with Marsh Limited.

29. Mr Fawcett said that he could not figure out how Catalyst had calculated its insurance charges. They were extremely low before it merged with Peabody. Mr Fawcett emphasised that whenever online insurance calculators are used, it must be declared that the policy is sought for a housing association member. This inevitably leads to higher premiums. He reiterated that the Respondent had to procure a new insurance contract following the merger with Catalyst and prices only go up.

Findings

30. The Tribunal began by seeking to establish whether the applications fall to be considered under section 19(1) or 19(2) of the 1985 Act. There is an important difference in the subsections. Section 19(1) limits the amount payable for a service charge to the extent that it is "reasonably incurred" and for services or works that are "of a reasonable standard".

31. Where a service charge is payable before the relevant costs are incurred, then section 19(2) applies and "no greater amount than is reasonable is so payable". After the relevant costs have been incurred, any necessary adjustment must be made by way of repayment, reduction, or further charges issued. Once the charges are reconciled, section 19(1) applies in the same way as service charges raised for costs incurred.

32. In this case, it was ascertained that the service charges for 2023/24 are actual sums following reconciliation of the accounts. Those for service charge year 2024/25 remain estimated amounts albeit the finalised accounts were expected before now. The service charges for 2025/26 also

remain estimated with the accounts not yet been finalised. Therefore, section 19(1) applies to the figures for service charge year 2023/24 whereas section 19(2) applies to service charge years 2024/25 and 2025/26.

33. Next the Tribunal sought clarification on the maintenance and improvement charges that the Applicant was contesting. It emerged that this emanated from Peabody's letter to Mrs McNeill of 27 September 2024 which refers to a shortfall of £337.46 for "maintaining and improving your home". It was established that this misleading term was meant to mean buildings insurance. The Applicant confirmed that the disputed charges all concern the amount of buildings insurance.

34. Upon consideration of the lease, the Tribunal is satisfied that the Respondent is responsible for buildings insurance for the Property. We are further satisfied that contractual provision exists to recover the building insurance costs for the Property from the leaseholder. The question turns to the reasonableness of those charges.

35. Having heard evidence and submissions from the parties and considered all the documents provided, the Tribunal has made determinations on the various issues below.

Buildings insurance - 2023/24 (£423.86)

36. The year end statement of account has been produced for the Property for the service charge year 2023/24. It records that the estimated service charge for 'property insurance' was £86.40 and the actual annual cost was £423.86, leaving a balance of £337.46 to be charged to the Applicant. It is the amount of the balance that is in dispute.

37. Mr Fawcett highlighted that the amount of deficit charged to the Applicant in 2025/26, after reconciliation of the accounts, was actually £123.16. This sum is listed in the breakdown of estimated costs sent to the Applicant by letter dated 28 February 2025. It is itemised as "Block Services costs – Sur/Def". The buildings insurance is not a block services cost. There is no way of gleaning from this description that it is meant to refer to a building insurance cost deficit. Mr Fawcett acknowledged that this was not clear or transparent enough. He submitted that, in theory, the sum charged should have been £337.46 and not £123.16. He did not understand why a lesser sum had been applied.

38. The Tribunal was taken to two invoices addressed to the Peabody Trust from Marsh Ltd for commercial combined insurance. The first invoice is dated 4 April 2023 for the period 1 April 2023 to 29 July 2023. The second invoice dated 16 August 2023 is for the period 30 July 2023 to 29 July 2024. Each invoice is for several million pounds.

39. Mr Fawcett explained that the Respondent's building insurance policy covers around 110,000 properties of which the Peabody Trust is freeholder. The policy is renewable on 30 July in each year.

40. The invoices provide a global figure without identifying any list of properties or details of cover. Mr Fawcett accepted that it was impossible to tell from the invoices whether the Property is covered, what for, or how much of the premium is apportioned to it. He explained that the service charge is apportioned to each property based upon its reinstatement value. Apparently, the Respondent has a spreadsheet with the re-build value of every single property within its portfolio, but no extract was produced. In making the division, no account is taken of whether the individual leaseholder has a claims history.

41. None of this assists the Tribunal in understanding what sum was actually incurred in respect of the Property and whether it was reasonable. Indeed, the Respondent's letter to the Applicant of 27 September 2024 was particularly ambiguous. It refers to the shortfall of £337.46 arising because "we spent more than we originally asked for maintaining and improving your home". It was accepted by Mr Fawcett that the Respondent had not maintained or improved the Property, this being the Applicant's responsibility.

42. We recognise that the annual building insurance cost was estimated at £86.40 by Catalyst when a contract was in place with seemingly very low premiums. That contract subsequently expired in July 2023, part way through the service charge year. It strikes the Tribunal that the estimate of £86.40 for 12-months building insurance was very low. Realistically the premium was likely to increase with inflation once the existing 'deal' expired. There were also a multitude of domestic and global events, around that time which will have influenced the insurance market resulting in increased costs, as identified by the Respondent.

43. We are satisfied that more than £86.40 in total was probably incurred. However, the Respondent has been unable to demonstrate how the buildings insurance premium of £423.86 was calculated to result in a £337.46 deficit. It is said to reflect the building reinstatement value but without any supporting evidence provided. The Respondent has not fully accounted for the expenditure claimed.

44. In any event, from what Mr Fawcett told us, the Respondent has in fact demanded a deficit of £123.16 only. That being so and in the absence of any other explanation, it firmly indicates that was the correct amount of shortfall. It corresponds with a total premium for the Property of £209.56. It is less than the average ABI figure of £284 quoted by the Applicant, but we have no reason to find that unusual. It is still a marked increase on the year before. In our view, £209.56 falls within the parameters of reasonableness.

45. In the circumstances, we conclude that **the total sum payable for buildings insurance for the Property for service charge year 2023/24 is £209.56** (being the estimated sum of £86.40 plus £123.16 deficit).

Buildings insurance - 2024/25 (£565.44) & 2025/26 (£611.13)

46. To avoid duplication, we take both these service charge years together as the same issues arise and we have applied the same approach in each.

47. The amount challenged by the Applicant for building insurance for the service charge year from 1 April 2024 is given as £667.32. However, the estimated service charge for building insurance was £565.44. The higher sum quoted by the Applicant included a leaseholders administration charge of £101.88. The Applicant confirmed at the hearing that she disputes only the buildings insurance at £565.44.

48. Similarly, the Applicant's application form says that the building insurance rose to £807.84 from 1 April 2025. From the service charge demand, the sum of £807.84 was the estimated sum for all estate and block charges, including 'block service costs' and admin charges. The estimated sum charged for the year commencing 1 April 2025 was in fact £611.13 in respect of 'property insurance'. As before, it was confirmed at the hearing that the sum of £611.13 is the only amount in dispute.

49. Both figures remain estimated until the accounts are finalised, but they must still be of no greater amount than is reasonable.

50. Given the level of increase in the estimated premiums, which appear to far exceed national averages according to the Applicant's ABI figures, the Applicant has made out a prima facie case to dispute the charges. Of course, the average figures for buildings insurance from the ABI relied upon by Mrs McNeill are broad and are useful as a generalised approximation only. We recognise that calculating insurance premiums is complex and influenced by numerous factors, such as location, property type/size, age, construction materials, claims history, rebuild costs, and level of cover.

51. The Tribunal is told that the estimates are based upon the reinstatement value of the Property. The Peabody buildings insurance explanation sheet says that Peabody "regularly check the rebuild value of our homes to ensure they are accurately valued". It is unclear how or if a check has been conducted for the Property. The Applicant says there has never been an inspection or survey. We cannot tell if the reinstatement value is up-to-date or likely to be accurate because the Respondent has not provided the details to assist the Tribunal in its task. As already established, the information relied upon by the Respondent is vague at best and lacking in meaningful supporting information.

52. Under section 19(2) consideration can be taken of matters not known to the landlord when the budget was sent, but the line is drawn at the date on which payment became due (***Knapper v Francis*** [2017] UKUT 3(LC) at [38]). We therefore disregard references made by Mr Fawcett at the hearing to likely reductions in the finalised accounts as the information concerned could not have been known when payment became due.

53. However, the Respondent has not been able to demonstrate how the estimates were reached. The Tribunal cannot be satisfied that the sums were a sensible projection for the Property even taking account of the possibility of a higher premium for social housing. On the face of it, they are excessive.

54. That also appeared to be the view of Mr Fawcett when he said that in his professional opinion the estimates were exaggerated and over-estimated for the 2 years in question. When asked by the Tribunal if this was a concession, Mr Fawcett quickly backtracked to suggest the sums were "reasonable and accurate at the time" of estimation and it was only in retrospect that they were on the higher side. We were not wholly satisfied by that answer but have formed our own view without reliance upon these comments.

55. In determining a reasonable sum, we bear in mind that a prudent landlord will not under-estimate the amounts to be budgeted. Indeed, it does not necessarily assist the leaseholder if confronted with a large deficit upon reconciliation of the accounts.

56. We consider it reasonable to take a midway point between the ABI averages supplied by the Applicant and the Respondent's estimated figures to arrive at a reasonable budgeted amount. For 2024/25, the midway point between £298 and 565.44 is £431.72. Whereas for 2025/26, the midway point between £321 and £611.13 is £466.06. That appears to us to strike the right balance to achieve a reasonable figure.

57. Consequently, the Tribunal determines that the amount payable in respect of buildings insurance is **£431.72 for service charge year 2024/25 and £466.66 for 2025/26.**

<u>Applications under section 20C, paragraph 5A and refund of fees</u>

58. The Applicant applied for orders under section 20C of the 1985 Act and paragraph 5A of Schedule 11 to the 2002 Act. While they potentially could, Mr Fawcett confirmed that the Respondent does not intend to pass on any charges from these proceedings to Mrs McNeill and the applications are unopposed. The Tribunal determines that it is just and equitable for the orders to be made taking into account its findings. In consequence, no costs incurred in connection with the proceedings

before the Tribunal can be passed onto the Applicant through the service charge or by way of an administration charge.

59. Mr Fawcett further confirmed that the Respondent does not oppose the application for recovery of Tribunal fees totalling £341 (£114 application fee and £227 hearing fee). The Tribunal finds it fair and just to award the Applicant the recovery of those fees. That is particularly so from the conduct of the Respondent up until the hearing.

60. Whilst Mr Fawcett tried to be helpful at the hearing, we noted the months of frustration experienced by the Applicant in attempting to secure information and responses from the Respondent. The evasiveness of the Respondent was apparent from the non-compliance with directions and poor bundle. Had the Respondent engaged with the Applicant then these proceedings may well have been unnecessary. The Tribunal urges better co-operation from the Respondent in the interests of both parties if future disputes before the Tribunal are to be avoided.

Name:	**Judge K. Saward**	**Date:**	24 April 2026

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.

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.

<u>Section 20C</u>

(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.

Commonhold and Leasehold Reform Act 2002

Schedule 11, paragraph 5A

(1) A tenant of a dwelling in England may apply to the relevant court or tribunal for an order reducing or extinguishing the tenant's liability to pay a particular administration charge in respect of litigation costs.

(2) The relevant court or tribunal may make whatever order on the application it considers to be just and equitable.

(3) In this paragraph—
(a) “litigation costs” means costs incurred, or to be incurred, by the landlord in connection with proceedings of a kind mentioned in the table, and
(b) “the relevant court or tribunal” means the court or tribunal mentioned in the table in relation to those proceedings.

Proceedings to which costs relate	“The relevant court or tribunal”
Court proceedings	The court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, the county court
First-tier Tribunal proceedings	The First-tier Tribunal
Upper Tribunal proceedings	The Upper Tribunal
Arbitration proceedings	The arbitral tribunal or, if the application is made after the proceedings are concluded, the county court