FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case Reference	**:**	**MAN/30UK/LSC/2024/0616**
Property	**:**	**Charter House, 20 Winckley Square, Preston PR1 3JJ**
Applicants	**:**	**See Annex A**
Representative	**:**	**Andrew Leigh**
Respondent	**:**	**PR1 Management Company Limited**
Representative	**:**	**Homestead Consultancy Services Ltd**
Type of Application	**:**	**Landlord and Tenant Act 1985 – s 27A** **Commonhold and Leasehold Reform Act 2002 –Sch 11 para 5A** **Landlord and Tenant Act 1985 – s 20C**
Tribunal Members	**:**	**Judge L. F. McLean** **D. H. Thomas FRICS FCABE**
Date of Hearing	**:**	**27th January 2026**
Date of Decision	**:**	**21st April 2026**

DECISION

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DECISIONS OF THE TRIBUNAL

(1) The amount payable by the Applicants to the Respondent by way of service charges for the service charge financial years 2023 and 2024 are set out in the table marked Annex B.

(2) The amount payable by each of the Applicants to the Respondent by way of on-account service charge for the service charge financial year 2025, in respect of shared management costs only, is £61.31. However, the Tribunal expressly reserves the position under Section 19(2) of the Landlord and Tenant Act 1985 as to the Respondent's duty, after the relevant costs have been incurred, to make any necessary adjustment by repayment, reduction or subsequent charges or otherwise (including the Applicants' right to seek a further determination on those issues in future, if needed).

(3) The Applicants' applications under Section 20C Landlord and Tenant Act 1985 and the Commonhold and Leasehold Reform Act 2002, Schedule 11, Paragraph 5A, are refused.

REASONS

The application

1. The Applicants have sought a determination pursuant to s.27A Landlord and Tenant Act 1985 as to whether they are required to pay to the Respondent certain sums by way of service charge (and, if so, how much).

2. In their application, dated 17th December 2024, the Applicants referred to the service charge financial years set out below:-

   i. 2023
   ii. 2024

3. Although the Applicants had also referred to certain general (non-litigation) administration charges in the papers, these items were not pursued during the course of proceedings and this decision does not seek to deal with those, as these would need to be determined under Paragraphs 2 and 5 of Schedule 11 to the Commonhold and Leasehold Reform Act 2002, not Paragraph 5A which relates solely to the costs of litigation.

4. During the management of the case, the Applicants further requested that the Tribunal reach a determination regarding whether they are required to pay to the Respondent certain sums by

way of service charge for the 2025 service charge financial year – specifically in relation to shared management costs (accounting, company law, etc.)

5. The Applicants seek an order under Section 20C Landlord and Tenant Act 1985 that all or any of the costs incurred, or to be incurred, by the Respondent in connection with these proceedings before the First-tier Tribunal are not to be regarded as relevant costs to be taken into account in determining the amount of any service charge payable by the Applicants.

6. The Applicants seek an order pursuant to Commonhold and Leasehold Reform Act 2002, Schedule 11, Paragraph 5A, reducing or extinguishing the Applicants' liability to pay administration charges in respect of litigation costs.

Background

7. The Property forms part of an unusual development, comprising two main sections which are linked. It is understood that the "new section" was developed before the older section, which was a conversion from previous uses, whilst the new is a new build.

8. The Property is the older section, known as "Charter House". This is a Grade II listed building over 3 floors and conventionally constructed in solid brick walling. It has been converted into 9 self-contained apartments.

9. The new build section, known as "City Space", is a mixture of 3 and 4 floors. Part of the Winckley Square elevation incorporates part of the old solid brick façade. The main sections, however, are timber framed and brick faced. There are 40 self-contained apartments in this section.

10. City Space adjoins Charter House on Winckley Square and continues to the junction with East Cliff, where it turns and continues along around the corner. The entire development forms an "L" shape, with a dog-leg on the East Cliff elevation.

11. To the rear of the Property there is a shared car park. Unusually, within the car park courtyard there is an active Roman Catholic church, which is believed to have once been a part of Charter House, which was originally ancillary to the church building.

12. Each of the Applicants is a tenant under a long lease of a flat in the Property. The various leases are said to be in substantially the same form. The Tribunal has been provided with a copy of a specimen lease, dated 16th February 2004 and granted for a term of 999 years from and including 1st January 2003 ("the Lease").

13. The Respondent is appointed under the terms of the Lease to manage the entire development, including the Property, City Space, and all of the communal and shared amenities and facilities.

14. The Property has recently been the subject of the Right to Manage, which applies solely to Charter House.

15. The Lease makes provision for the Respondent to provide certain services, set out at Schedule 6. Schedule 6 to the Lease also provides for the Applicants to pay a service charge in relation to the Respondent's costs so incurred.

Inspection and Final Hearing

16. The Tribunal arranged an inspection of the Property, which took place at 10am on 27th January 2026. The inspection was attended by the Lead Applicant and Applicants' Representative Andrew Leigh, Phil Harvey and Mick Horsfield of the Respondent, and Homestead Consultancy (managing agents). The Tribunal noted the layout and features of the apartment blocks.

17. The final hearing of the matter was listed for 12 noon on 27th January 2026 at the Manchester Tribunal Hearing Centre, 1st Floor, Piccadilly Exchange, 2 Piccadilly Plaza, Manchester M1 4AH. Andrew Leigh attended in person. The Respondent was represented by Phil Harvey, and also in attendance were James Batchelor, Mick Horsfield and David Bentham of Homestead Consultancy.

18. In readiness for the hearing, the Tribunal had received a bundle of 646 pages, comprising the parties' respective statements of case and evidence and which the Tribunal had had the opportunity of reading. The members of the Tribunal considered the parties' oral and written submissions and evidence and documents filed in accordance with the Tribunal's directions.

Grounds of the Application

19. The Applicants challenged the payability of service charges over the years in question on a variety of grounds. These included:-

    i. Whether charges had been demanded which were not contractually payable under the lease terms;
    ii. Whether costs had been "reasonably incurred" within the meaning of Section 19(1) of the Landlord and Tenant Act 1985.

Issues

20. The issues which the Tribunal had to decide were:-

i. What service charges were payable by the Applicants to the Respondent for the service charge years in question?
ii. Is it just and equitable to preclude the Respondent from recovering its legal costs of the application through the service charge?
iii. Should the Tribunal reduce or extinguish any administration charges of litigation sought from the Applicants by the Respondent?

Relevant Law

21. The relevant sections of the Landlord and Tenant Act 1985 read as follows:-

18 Meaning of "service charge" and "relevant costs"
(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.

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.

(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.

27A Liability to pay service 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.

(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.

22. The relevant sections of the Landlord and Tenant Act 1985 read as follows:-

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.

(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 the county court;
(aa) in the case of proceedings before a residential property tribunal, to a leasehold valuation tribunal;
(b) in the case of proceedings before a leasehold valuation tribunal, to the tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to any leasehold valuation tribunal;
(ba) in the case of proceedings before the First-tier Tribunal, to the 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 the 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.

23. Paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 provides as follows:-

Limitation of administration charges: costs of proceedings
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

The Hearing

Opening submissions

24. The Tribunal heard opening submissions from each party, before dealing with the individually disputed items in turn.

25. The core of the Applicants’ case was straightforward: that they could only be required to pay service charge contributions where there was

provision in the lease for recovery of the associated costs. Mr Leigh said that he considered that certain repair items were the contractual responsibility of the individual lessees of the affected apartments to bear, and he considered that there was no provision in the lease at all for the recovery of the disputed legal fees.

26. Mr Harvey replied for the Respondent. He explained that two of the disputed items had already been conceded, but stated his belief that they had acted responsibly in exceptional circumstances and in accordance with the Respondent's duties under the leases. He asserted that the costs were incurred reasonably and following consultation where required. By way of background, he referred to the Ridge Report of the condition of the premises, and said that many of the leaseholders been stuck for 20 years, with some experiencing financial hardship and mental health issues. He said that the total costs of repair had exceeded £7million, but that most of the issues were not visible to naked eye today. He explained that the development had suffered from shrinking and twisting of timbers and a lack of oversight in the construction process. Although an insurance claim was submitted, there were complications when the loss adjusters' licence was suspended. This resulted in several new directors being appointed to the board of the Respondent, two of whom were among the Applicants. A review of the finances disclosed that service charges had been kept low, leading to a significant budget shortfall and the depletion of the reserve funds. He said that the Respondent had been near insolvency and that a budget deficit of over £16,000 had led to leaseholders having to pay additional service charge levies. However, he said that the extent of the issues meant that it was not possible to address these outside of the insurance claim. Water ingress had caused problems for flats and communal areas which could not be dealt with from the Respondent's own funds. There had been additional safety issues such as stonework, roof and fire safety issues. He also said that the current board are all leaseholders and volunteers who seek to incur relatively modest costs and keep professional fees to a minimum.

27. Turning to the Applicants' case, he accepted that the wording of the leases was poor. However, he said that most of the leaseholders had authorised the Respondent to act on their behalf in the insurance claim. He asserted that they had acted transparently and that the Respondent's actions were documented through board meeting minutes. He concluded by saying that the only fair way to do recover the costs of the works had been through service charges.

28. Mr Leigh responded. He asserted that previous budgets, approved by leaseholder members, involved low service charges because the main issues were decorations and minor repairs. He said that the Ridge Report was prepared long after the case began and disputed its relevance. He also asserted that the insurance claim was primarily between the policyholders and the builders, so it was not

part of the business of the Respondent to become directly involved in.

29. The Tribunal then turned to the key items of expense which were disputed and heard from each party on each item in turn.

Repair Item – Balcony and Hopper at Apartment 29

30. The Applicants' position was that under the terms of the Lease, Schedule 6 Part 2 Clause 1.7(2), the Respondent is responsible for the component replacement if it used in common with more than one apartment. Mr Leigh referred to the definition in Schedule 1 Clause 1.7 which stated that all service media which exclusively serve the individual apartment are included within the demise. He argued that the hopper drains one balcony for one apartment and so the individual leaseholder should have paid for the repair.

31. In respect of the balcony, Mr Leigh argued firstly that this was again exclusively serving one apartment. In the alternative, he argued that under Schedule 6 Part 1 Clause 8.2 the Respondent could not be liable to the individual leaseholder in respect of any defect in the development, and so it should not have been carrying out the repair itself. The Tribunal identified that under the terms of that clause, the exemption from liability only applied "except so far as the same may be insured by any policy". Mr Leigh said that they had not been told what the cause of the damage was.

32. The Respondent's position was that the hopper forms part of the service media, but that it serves more than just one apartment. Mr Harvey said that although it drains from one apartment, rainwater removal is an issue for the entire building as it was important not to allow damage anywhere else. This was particularly so because the balcony of this apartment is the roof / ceiling of flat number 26 below it. He said that when the hopper was not working correctly, this allowed water to run down the outside and cause water damage as shown in Ridge Report. In terms of the balcony, Mr Harvey said that it had been necessary to lift the leaseholder's decking, and then check and repair the lead lining. He referred to the contractual obligation (Schedule 5, Paragraph 4) to act carefully and reasonably and make good any damage. He argued that the full cost had therefore arisen ancillary to the Respondent carrying out its own necessary repairs and was thus service chargeable.

33. Mr Leigh continued to argue that the hopper does only serve one flat as there is a feed gutter to the other hopper on the other side.

Legal Fees – Hill Dickinson

34. The Applicants' position was that these fees were incurred in the management of the new homes insurance claim, which was started by Homestead in 2014 on behalf of 40 CitySpace policyholders. Mr

Leigh acknowledged the complex history of the insurance dispute, where the insurance company had gone into administration. He said that the leaseholders initially resisted taking funds from the service charge budget. He said that the CitySpace leaseholders had appointed Mr Harvey to pursue the matter, but he asserted that they had not checked the terms of the leases to see if it was the Respondent's responsibility to do this. He accepted that there is a clause in the leases regarding the management of insurance claims, but he asserted that this related only to the annual building insurance and denied that it applied to the new homes insurance claims. He also argued that the clause regarding recovery of legal fees only related to forfeiture, other leaseholder breaches, or for legal action in respect of each individual lease. He said that the fees were for the solicitors to instruct a surveyor and to provide advice on public loss Adjusters. He also considered that the fees were excessive for the service provided.

35. The Respondent's position was that the defects and issues in the building were its responsibility, and that they needed professional advice on how to deal with them. They had Therefore instructed solicitors and in turn the solicitors had instructed the preparation of the Ridge Report. By way of context, the total cost of works was £7million and the Ridge Report cost £150,000 to prepare. As the Respondent lacked the finances to undertake the works, the only viable route had been to pursue insurance claims, and this had required a thorough investigation so as to avoid allegations of negligence or breaches of directors' duties. The approach of seeking legal advice regarding the previous loss adjuster was approved at a Board meeting in 2023 and the 2024 members' AGM. Due to the complexity of the report being sought, it had been necessary to instruct solicitors (Hill Dickinson) to prepare a long and detailed deed of appointment with a lot of caveats. This included dealing with urgent fire risk and structural issues. The cost of the Ridge Report had been met by insurance / FSCS, but the legal expenses incurred in drafting it were not. Mr Harvey also stated that the total value of the firm's time spent on the report was around £11,000, but that the firm had nonetheless capped the invoice at the agreed fee of £5400 (which had been approved at the AGM). He also stated that the Respondent had sought three different fees quote before choosing Hill Dickinson, and that the Respondent had asked the FSCS to pay for the legal fees but that they had refused. The Respondent's position was that the solicitor fees were necessarily incurred as part of the costs of keeping the development in repair (Schedule 5, Paragraph 4; Schedule 6, Part II, Paragraph 1.1), and also that the Respondent is permitted under the terms of the leases to engage services which enable it to provide the other services which are obliged under the lease terms (Schedule 6, Part I, Paragraph 7).

Window Repair (Apartment 15)

36. It was common ground between the parties that the window frame is included in the property which is demised to the leaseholder of the apartment in question. The Applicant considered that the defect was subject to the exemption under Paragraph 8.1 of Schedule 6 Part I, meaning that the Respondent was obliged to claim on buildings insurance but not to carry out repairs.

37. For the Respondent, Mr Harvey explained that since 2014 the insurance cover was limited. The works done were not the repair of the window frame itself, but of the immediate surrounds to the window frame which had been damaged by the structural timber frame movement (which included re-seating the frame and re-securing it).

Legal Fees – Clarke Wilmott

38. This cost item arose from a dispute between Mr Leigh and the other directors of the Respondent about the proposed course of action in 2023 for the Respondent to manage the insurance claim on behalf of the policyholders. Mr Leigh said he had sought the views of the Leasehold Advisory Service who said that they could not identify a clear basis under the lease for the Respondent to act in that way. The Respondent's view was that when the Applicant had communicated that opinion to the Board, the directors had acted reasonably in seeking specific advice about the lawfulness of their actions. Mr Harvey said that seeking a pre-emptive Tribunal determination on the issue would have taken too long. He asserted that the same basis of recovery applied to this head of charge as to the Hill Dickinson fees. Mr Leigh replied to dispute whether the Clarke Wilmott advice had assisted in that manner, as he said that it had been commissioned after Hill Dickinson had been instructed.

Shared Management Costs (Overheads) from 2025

39. The Applicant explained that since the Right to Manage had been exercised in respect of the 9 flats in the original building, those leaseholders had still been paying the same contribution towards the Respondent's overheads incurred by its managing agent for accountancy, insurance and company secretarial services. They disputed why they should continue to contribute towards the costs of managing the remainder of the development, and considered that they should only pay for the costs of the shared elements of the estate. Mr Leigh also noted that costs for postage etc. had increased significantly from £50 in 2023 to £400 in 2024, and noted the cost of the meeting room. He also argued that no costs relating to the insurance claim should be met from service charges.

40. Mr Harvey noted that £700 of the total budget item was not disputed (relating to communal area management). He then addressed the

other elements. He pointed out, firstly, that the exercise of the Right to Manage did not amend the terms of the leases in terms of costs to which the Applicants had to contribute. As the Applicants had remained shareholder members of the Respondent, holding 9 out of the 49 shares, they were obliged to continue contributing to the actual costs of running the Respondent company, including accountancy, company secretarial, etc. He said that the room hire charge related to all Board and Member meetings, and as the Applicants are still entitled to attend these it was reasonable for them to continue contributing to the costs. He asserted that the total cost is £3000 per year for the cost of corporate compliance only and that this was not unreasonable (with the Applicants' contributions totalling a few hundred pounds between them).

41. The Tribunal also observed that it would have been impractical and unwise for the Applicants to have sought variation of their leases so as to remove their shareholder membership of the Respondent, since that would create problems if the Right to Manage company was ever subsequently dissolved or liquidated.

Costs of the Proceedings

42. The Tribunal heard oral submissions from the parties as to whether the Applicants' applications regarding the Respondent's costs of the proceedings should be granted or refused.

Deliberations and Conclusions

43. The hearing concluded and the Tribunal retired to deliberate. Its conclusions are set out below.

Items conceded by the Respondent

44. It is noted that the Respondent has conceded that the following costs are not payable by the Applicants:-

i. Toilet repair 24/04/2023 - £100.00 - £2.04 per Applicant
ii. Window repair 07/12/2023 - £145.00 - £2.96 per Applicant

Balcony and Hopper Repair at Apartment 29

45. The Tribunal agrees with the Respondent's contention that the hopper serves more than one apartment. As the Respondent put it, rainwater drainage is a "whole building" issue and if it malfunctions then it is likely to cause damage to the fabric of the wider building. It is recoverable as a service charge cost of keeping the structure of the building in repair.

46. Similarly, the balcony serves more than one apartment as it is also the roof / ceiling of the apartment below it. The Tribunal was not

persuaded that the provisions of Paragraph 8.1.2 of Schedule 6 Part I were of relevance – this may or may not have provided the Respondent with immunity from a civil liability in respect of the defect, but either way the Respondent was still empowered to provide the repair service set out at Paragraph 1.1 of Schedule 6 Part II and recover the costs through the service charge. The Tribunal also agrees with the Respondent that the costs were reasonably incurred in carrying out repairs to the common parts and making good thereafter.

47. The Tribunal concludes that these costs were recoverable under the terms of the Lease. The Tribunal also finds that the costs were reasonably incurred and that the works were carried out to a reasonable standard.

Legal Fees – Hill Dickinson

48. The Tribunal notes the unusual complexity and financial risk associated with the major structural defects, which had blighted the CitySpace building. The Tribunal accepts that the Respondent acted reasonably and responsibly in obtaining a detailed property condition survey and structural report. The Tribunal also accepts that it was functionally a necessary prerequisite of the Respondent complying with its repairing obligations that it had to obtain such a report, so that it could know the extent of the works required. Due to the unusually serious nature and extent of the defects and likely remedial works, the Tribunal accepts that it was reasonably necessary for the Respondent to instruct solicitors to prepare the instructions to the surveyors. The Tribunal therefore finds that this head of expenditure was recoverable under the provisions of the Lease (as being necessarily incurred as part of the costs of keeping the development in repair under Schedule 5, Paragraph 4 and Schedule 6, Part II, Paragraph 1.1, and as empowered under Schedule 6, Part I, Paragraph 7 as a professional service which was required in order to provide the said repairs service).

49. The Tribunal considers that the amount of the invoice was reasonable. It is evident that Hill Dickinson spent considerable time working on the file, about twice what was actually invoiced. Given the scale of the financial exposure, it was reasonable to instruct a prominent firm with extensive and specialist experience in construction law and commercial property disputes. That will have necessarily resulted in fees being charged at a higher rate than, say, a local or regional commercial firm. However, it appears that the fees paid were nonetheless entirely proportionate, equating to just 3.6% of the surveyors' fees and less than 0.1% of the total remediation costs.

50. For these reasons, the Tribunal also finds that the costs were reasonably incurred and that the service was provided to a reasonable standard.

Window Repair (Apartment 15)

51. The Tribunal accepts the Respondent's evidence that the works of repair were to the common parts of the building i.e. the fabric of the external wall surrounding the window frame, not to the window itself. The Tribunal finds that the Respondent was empowered to provide the repair service set out at Paragraph 1.1 of Schedule 6 Part II and recover the costs through the service charge. The Tribunal also agrees with the Respondent that the costs were reasonably incurred in carrying out repairs to the common parts.

52. The Tribunal concludes that these costs were recoverable under the terms of the Lease. The Tribunal also finds that the costs were reasonably incurred and that the works were carried out to a reasonable standard.

Legal Fees – Clarke Wilmott

53. The Tribunal notes that the decision to incur the legal advice referred to was specifically prompted by the explicit challenge to the lawfulness of the Respondent's course of action, which was raised by Andrew Leigh. The Tribunal concurs that seeking specific and specialist legal advice was a better course of action than contriving a Section 27A referral to the Tribunal based on a hypothetical dispute. Although the Tribunal has a jurisdiction under Section 27A to give a determination on a hypothetical basis, there has also been criticism of parties bringing speculative proceedings in the Tribunal inappropriately (see for example *Alothman Holdings Ltd v Better Intelligent Management Ltd* [2024] UKUT 253 (LC), in which the landlord was held to have acted unreasonably in bringing an application which it knew the Tribunal had no jurisdiction to deal with, but which it said it had made in order to find out for certain whether that was true).

54. Nonetheless, the first question which has to be considered is whether the costs are recoverable under the Lease.

55. Paragraph 7 of Schedule 6, Part I, to the Lease provides:-

> *The Management Company shall be at liberty to employ and engage such persons, firms, or companies and hire such equipment as it considers reasonable or necessary (in its absolute discretion) to do so to enable it to provide the Services.*

56. The list of specific services which are to be provided under the Lease includes, at Paragraph 1.1 of Schedule 6, Part II:-

> *1. Provisions and replacement renewal repair maintenance and cleaning (as the case may be) of:-*

1.1 the Common Parts

57. The service charge, as defined in the Lease at Clause 1, is calculated as a proportion of the "Expenses". This in turn is defined as:-

> ***Expenses*** *the payments to be made by the Management Company in fulfilling the Services of performing the Management Company's Covenants details of which are set out in Schedule 6 Part II. Under the heading "Services"*

58. The "Management Company's Covenants" are defined as:-

> *the positive and negative obligations to be performed and observed by the Management Company that are set out in Schedule 5 and Schedule 6*

59. Taken together, and particularly (i) the breadth of the expression "*the payments to be made by the Management Company in fulfilling the Services*" and (ii) the power to employ or engage such firms or companies "*to enable it to provide the Services*", this must carry a heavily and necessarily implied entitlement to recover reasonably and/or necessarily incurred legal costs which are associated with the carrying out of repairs to the development. Given the scale of the financial exposure, and in the face of an explicit challenge, it was reasonable and/or necessary for the Respondent to seek formal legal advice to confirm its position.

60. The Tribunal is not persuaded that the timing of seeking that advice makes a difference on this occasion. It may well be that the Respondent had already started the ball rolling on the instruction of Hill Dickinson and Ridge, but it was nonetheless reasonable and/or necessary for the Respondent to be confident that it remained lawful for it to have done so once the challenge had been raised. If the advice had been to the contrary, the Respondent could still presumably have taken mitigating steps to curtail its actions and explore alternatives.

61. The Tribunal therefore finds that this head of expenditure was recoverable under the provisions of the Lease (as being necessarily incurred as part of the costs of keeping the development in repair under Schedule 5, Paragraph 4 and Schedule 6, Part II, Paragraph 1.1, and as empowered under Schedule 6, Part I, Paragraph 7 as a professional service which was required in order to provide the said repairs service).

62. The Tribunal considers that the amount of the invoice was reasonable. Given the scale of the financial exposure, it was reasonable to instruct a prominent firm with extensive and specialist experience in residential leasehold law. In that context, the Tribunal

considers (from its own professional experience of such matters) that a fee of just over £2400 is well within the range of reasonable legal fees which might be expected of a firm providing that sort of advice.

63. For these reasons, the Tribunal also finds that the costs were reasonably incurred and that the service was provided to a reasonable standard.

Overall Conclusions – 2023 and 2024 Service Charge Years

64. The amount of service charges demanded from each Applicant by the Respondent were £1,003.25 in 2023 and £1,491.36 in 2025.

65. Save as to the items which the Respondent has conceded, the Tribunal finds that the service charges were payable.

66. The total deductions from the service charges payable by the Applicants, as conceded by the Respondent, amount to £5.00 per Applicant for the 2023 service charge year only, reducing the payable amount to £998.25 each. There are no deductions from the 2024 service charge year and the charges are payable in full.

2025 Shared Management Costs (Overheads)

67. The Tribunal concurs with the submissions of the Respondent that the Applicants remain bound by the terms of the Lease to contribute towards the administrative costs of corporate compliance for the Respondent. Again, given (i) the breadth of the expression "*the payments to be made by the Management Company in fulfilling the Services*" and (ii) the power to employ or engage such persons, firms or companies "*to enable it to provide the Services*", this must carry a heavily and necessarily implied entitlement to recover reasonably and/or necessarily incurred professional costs of compliance, without which the Respondent would not be legally capable of complying with Schedules 5 and 6.

68. Sections 96 and 97 of the Commonhold and Leasehold Reform Act 2002 apply a statutory override in relation to the management functions previously exercised by the Respondent in relation to the Property (i.e. Charter House itself) and the associated costs of managing the Property itself, but they do not do so in relation to any other premises over which the Respondent exercises management functions and in respect of which the Applicants continue to have a right of enjoyment. As the Respondent's basic compliance costs (both the need to incur them, and the amount incurred) are unaffected by the exercise of the Right to Manage – as demonstrated by the Applicants' continued membership of the Respondent – the Applicants continue to be bound by the obligation to contribute towards them.

69. It is noted that the Respondent may not have finished its accounting and auditing processes for the costs so demanded in 2025.

70. The Tribunal therefore determines that the sums demanded in the on-account demand for the 2025 service charge year (in respect of shared management costs only) were reasonable and payable insofar as this was a reasonable estimate of anticipated costs. However, this determination expressly does not deal with the payability or reasonableness of those service charges to the extent that they relate to actual costs incurred. Accordingly, the Tribunal expressly reserves the position under Section 19(2) of the Landlord and Tenant Act 1985 as to the Respondent's duty, after the relevant costs have been incurred, to make any necessary adjustment by repayment, reduction or subsequent charges or otherwise (including the Applicants' right to seek a further determination on those issues in future, if needed)

Costs

71. The Tribunal has a wide discretion whether or not (and to what extent) to grant applications under Section 20C Landlord and Tenant Act 1985 and the Commonhold and Leasehold Reform Act 2002, Schedule 11, Paragraph 5A.

72. However, subject to any particular considerations of an individual case, the Tribunal will usually hold that it is just and equitable to grant such applications if the tenant is substantially successful in their main application.

73. The Tribunal is mindful that the Respondent has evidently sought to keep its litigation costs of these proceedings to a minimum – certain managing agency fees have been incurred, but these appear to have been done so reasonably.

74. In any event, the Applicants have been almost entirely unsuccessful in bringing these proceedings. Whilst the basis of their concerns are understandable, the Respondent has acted reasonably and has been almost wholly successful in maintaining its position.

75. Accordingly, the costs applications are refused.

Name: **Date: 21st April 2026**
Judge L. F. McLean
D. H. Thomas FRICS FCABE

Rights of appeal

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

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

Annex A

Full list of applicants

Vera Clement-Jones and Nick Jones

Andrew Napier

Dr. Angela Cronje

Simon Hodkinson

Thomas Gacesa

Helen and Michael Jolly

Andrew Leigh

Hayley Lewis

Ian Hynes and Christine Saint

Annex B

Service charge and administration charge table

Apt no.	2023 charge	2023 rebate	**2023 total**	**2024 total**
1	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
2	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
3	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
4	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
5	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
6	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
7	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
8	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**
9	£ 1,003.25	£ 5.00	**£ 998.25**	**£ 1,491.36**