FIRST-TIER TRIBUNAL
PROPERTY CHAMBER (RESIDENTIAL PROPERTY)

Tribunal case reference	**:**	**CAM/33UG/LSC/2025/0723**
Property	**:**	**15 Mulberry Close, Norwich NR3 3PJ**
Applicant	**:**	**Mr J. Taylor**
Respondent	**:**	**Coppen (Estates) Limited**
Representative	**:**	**Property Management Legal Services Ltd**
Type of application	**:**	**Liability to pay service and administration charges (sections 27A and 20C Landlord and Tenant Act 1985; paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002)**
Tribunal members	**:**	**Judge M. Hunt** **Mr D. Hunt MRICS**
Date of hearing	**:**	**25 June 2026 (remote hearing)**
Appearances at hearing	**:**	**Mr J. Taylor (the Applicant)** **Ms A. Gourlay (for the Respondent)**
Date of decision	**:**	**30 June 2026**

DECISION

1. By consent, the name of the Respondent is amended to Coppen (Estates) Limited as that is its correct name.

2. All service charges in dispute, which related to insurance policies entered into from December 2021 to December 2025 inclusive, are payable in full save as follows:
    a. the service charges relating to the Respondent's administration expenses of arranging insurance of the Property are not payable for any of the years in dispute.

3. None of the Respondent's costs incurred, or to be incurred, in connection with these proceedings may be treated as a relevant cost chargeable to the Applicant by way of service or administration charge.

4. The Tribunal makes no order in respect of Tribunal fees incurred.

REASONS

Introduction

1. The Applicant is the leaseholder of the flat known as 15 Mulberry Close, Norwich NR3 3PJ (the "Property"). The Respondent is a company that owns the freehold of the Property and manages the building and estate within which it is situated (the "Building" and the "Estate" respectively). It does so in accordance with the terms of a lease, which the Applicant acquired in October 2021 (the "Lease"). The Lease provides that the Applicant must contribute to the Respondent's costs of managing the Estate by way of service charge.

2. The only service charges in dispute in these proceedings relate to the costs of, and associated with, the insurance of the Building. The Applicant accepts that he must contribute to the costs of insurance but argues that the premiums and associated costs have been excessive, the Respondent has taken and retained commission improperly and has failed to arrange the insurance with reasonable diligence. To an extent, the issues are interrelated. The Applicant challenges all insurance-related service charges paid since he acquired the Lease in 2021, starting in December 2021 (which corresponds to the annual period of insurance 1 December – 30 November). Having presented his application in October 2025, the Applicant had not yet received any service charge demand in respect of insurance for the period December 2025 –

November 2026. He had by the time of the hearing. He wished to challenge that service charge also. As the issues for the Tribunal to determine were essentially identical and it had the necessary evidence to determine the dispute in respect of the 2025-2026 insurance year, it was sensible, proportionate and appropriate to determine that issue also. The Respondent consented.

3. In determining the application, the Tribunal considered a file of documents extending to 233 pages. It heard submissions and evidence from the parties. It also heard from the Respondent's broker, who was able to join the hearing at short notice. It is very grateful to all for their attendance, evidence and submissions.

Relevant law

4. The Landlord and Tenant Act 1985 provides a statutory framework for the management of service charges imposed by a landlord on a tenant. Section 18 provides a broad definition of "*service charge*" and "*relevant costs*".

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

> "***19. Limitation of service charges: reasonableness***
>
> *(1) Relevant costs shall be taken into account in determining the amount of a service charge payable for a period—*
>
> > *(a) only to the extent that they are reasonably incurred, and*
> >
> > *(b) where they are incurred on the provision of services or the carrying out of works, only if the services or works are of a reasonable standard;*
>
> *and the amount payable shall be limited accordingly*".

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

> "***27A. Liability to pay services charges: jurisdiction***
>
> *(1) An application may be made to the appropriate tribunal for a determination whether a service charge is payable and, if it is, as to—*
>
> > *(a) the person by whom it is payable,*
> >
> > *(b) the person to whom it is payable,*
> >
> > *(c) the amount which is payable,*
> >
> > *(d) the date at or by which it is payable, and*

(e) the manner in which it is payable.

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

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

> "***20C. Limitation of service charges: costs of proceedings***
>
> *(1) A tenant may make an application for an order that all or any of the costs incurred, or to be incurred, by the landlord in connection with proceedings before a court, residential property tribunal or leasehold valuation tribunal or the First-tier Tribunal, or the Upper Tribunal, or in connection with arbitration proceedings, are not to be regarded as relevant costs to be taken into account in determining the amount of any service charge payable by the tenant or any other person or persons specified in the application.*
>
> ...
>
> *(3) The court or tribunal to which the application is made may make such order on the application as it considers just and equitable in the circumstances*".

8. A similar provision in relation to administration charges is found at paragraph 5A of schedule 11 to the Commonhold and Leasehold Reform Act 2002. Broadly, "administration charges" are defined in that schedule as sums relating to any individual requests or alleged failures of a tenant of a dwelling.

9. Section 87 of the Leasehold Reform, Housing and Urban Development Act 1993 provides that, where the Government has approved any codes of practice relating to the management of residential property, a court or tribunal may have regard to them in determining disputes. The Government has approved such a code produced by the Royal Institution of Chartered Surveyors ("RICS"). The latest (fourth) edition was effective from 7 April 2026; the previous edition was effective from 1 June 2016, which would be the most relevant to disputes about matters arising prior to 7 April 2026.

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

11. General contractual law principles apply to the payment of service charges. To the extent that a lease does not require a leaseholder to pay for services, they are not obliged to do so.

The Lease

12. The Lease details the parties' agreement. So far as relevant, under clause 1(c) the Applicant has agreed to pay as "*further or additional rent from time to time the Service Charge as provided in Clause 3(b)*".

13. Clause 3(b) provides that the Service Charge amounts to "*a proportionate part of the expenses and outgoings incurred by the [Respondent] in the … insurance of the Building … and other heads of expenditure set out in the First part of the Fifth schedule*". The Service Charge is to be "*calculated in accordance with but subject to the terms and provisions set out in the Second part of the Fifth Schedule*". The relevant proportion is defined in the sixth schedule to the Lease as 10.19%.

14. Clause 5(2) of the Lease requires the Respondent to insure the Building "*in some insurance offices of repute*" against loss or damage caused by flood, to the extent that such insurance is available at reasonable cost.

15. Part 1 of the fifth schedule to the Lease describes the "*cost and expenses and outgoings*" of the Respondent that will form the basis to the Service Charge. Reflecting clause 3(b), unsurprisingly they include the cost of insurance. Paragraph 2 provides that the "*reasonable fees of the [Respondent's] Managing Agents for the collection of the rents*" are payable as part of the Service Charge. Paragraph 8 provides as follows.

    "*An addition of up to fifteen per centum shall be added to the costs expenses outgoings and matters referred to in the preceding paragraphs of this Schedule for administration expenses*".

16. Part 2 of the fifth schedule relates to the calculation of the Service Charge. Paragraph 4 provides that "*in the event of the [Respondent] or its Managing Agents receiving commission on the insurance premium payable for insuring the Building … then such commission shall belong to the [Respondent] who shall not be required to bring the same into account in the calculations for the Service Charge*". Paragraph 5 provides that the Service Charge need not be limited to costs "*actually disbursed incurred or made … during the year in question*" but can also include a fair and reasonable amount on account of periodic expenditure.

The issues

17. Matters in dispute were narrowed somewhat at the hearing. A fair amount of the Applicant's concerns regarding insurance revolved around, firstly, not having been provided with much detailed information about it (including how it had been procured, updated and the relevant commissions apportioned) and, secondly, an alleged failure to engage with concerns and alternative quotes presented by the Applicant in January 2025.

18. A representative of the Respondent and its broker provided much of the information sought and an explanation as to why they had not considered the alterative quotes presented by the Applicant in any detail. Helpfully, all parties agreed to engage more constructively on the issue in advance of the next insurance renewal in December 2026. I will outline where relevant the parties' commitments (noting that they are not orders this Tribunal can, or is, making).

19. The broker demonstrated considerable knowledge of the history of the insurance arrangements for the Building, which proved extremely useful at the hearing. The Applicant appreciated the explanations, as did the Tribunal. The Tribunal was unclear why the discussion that took place at the hearing could not have been handled directly between the parties. Nevertheless, it was content to use the hearing in part to afford the parties the opportunity to explain and resolve their differences. It was heartened to note that the parties had made sensible arrangements for reviewing the Building insurance prior to its renewal in December. The explanations and commitments as to the future did not, however, resolve the dispute about the past insurance arrangements.

20. The issues for the Tribunal to determine therefore remained those that were pithily expressed in the application form and recorded subsequently in a schedule produced pursuant to Tribunal directions, as now informed by the explanations provided at the hearing. Essentially:
    1. were the insurance premiums reasonably incurred in each year in dispute, including because of their allegedly excessive cost and impropriety in the choice of insurance;
    2. were any of the Respondent's claimed "administration expenses" associated with the insurance payable by the Applicant and, if so, in what amount.

21. A final issue is whether the Tribunal should make any orders on account of costs.

Facts

22. It transpired that few facts were really in dispute, save perhaps as to the Respondent's motivations in its choice of broker and/or insurer. What was really in

dispute was the correct application of the Lease provisions to those facts and the reasonableness of the Respondent's actions (or inaction) and decisions. Accordingly, there were few real findings of fact for the Tribunal to make. When it had to make findings, it did so on the balance of probabilities in light of all the information available. That information included the oral evidence from those at the hearing, which the Tribunal accepted.

23. The Respondent arranges the Building's insurance via a broker. It has a decades-long relationship with a particular brokerage and, indeed, so far as the Tribunal understood, with a particular broker. They clearly have an excellent business relationship. The brokerage may have changed name and/or ownership over time, but the broker handling the Building insurance remained the same at all relevant times. The Tribunal will refer to the brokerage and broker collectively as the "Broker".

24. The Respondent relies considerably on the Broker's expertise and professional judgement to arrange insurance for the Building. This is both unsurprising and was made abundantly clear at the hearing. The Respondent very largely deferred to the Broker for any questions as to the detail of the Building's insurance and the evolution in its terms and premium over the years. The Respondent has not considered appointing any other Broker.

25. As might be expected, as a professional provider of insurance services the Broker undertakes regular reviews of the insurance market to keep track of costs, relevant industry developments, the terms of business offered by different insurers and their respective approach to claims-handling. In the light of these reviews, the Broker generates a list of "preferred" insurance providers. One of these is Aviva, with whom it has consistently insured the Building (including at all times relevant to these proceedings). There was no dispute that Aviva is a reputable insurer. The reasons the Broker views Aviva highly include its terms of business, which allow for leaseholders to make claims directly, rather than through a freeholder, which is a requirement of many other insurers. The Broker has also established a belief over time that Aviva will efficiently handle claims to a satisfactory resolution, when other insurers may be more reticent and/or demanding. Of more specific relevance to this case, Aviva permits underletting of leasehold property, which some insurers do not (and the Lease permits this with the Respondent's consent). Additionally, Aviva agrees to provide insurance against loss or damage to the Building caused by flood, which other insurers would not due to its proximity to the River Wensum. This latest point was highly material in this case as I will explain.

26. The Broker does not exclusively insure properties with Aviva. Indeed, the Respondent (and/or possibly associated companies) owns the freehold to other leasehold properties, which are insured via the Broker, but not exclusively with Aviva.

27. The Broker prefers to enter into relatively bespoke arrangements with particular branch-based underwriters where possible, as it believes this results in the most appropriate insurance provision. Prior to 2023, it had arranged such a bespoke policy in respect of the Building. Since then, the adopted policy has been more standard.

28. Once insurance has been provided by a particular insurer, such as Aviva in this case, the Broker prefers to retain that business relationship so that a property's details and any specific insurance requirements can be efficiently recorded and retained year-on-year. In such a case, all that might change from one year to the next is the premium and insured sums, which can either be adjusted (typically on account of inflation, whether "automatically" or on request) or retained unaltered. In this case, between 2021 and 2022, the maximum insured sum for the temporary relocation of leaseholders in case the Building became inhabitable increased "automatically" on account of inflation. From 2023 to 2025, that particular insured sum was no longer subject to "automatic" increase and has remained unaltered since 2023.

29. The Broker explained at the hearing that it is for the Respondent to consider the appropriate sum to insure on account of this risk. The Respondent was unaware of that responsibility and committed to considering whether to adjust the insured sum prior to renewing the Building insurance in December. The Respondent noted that the Applicant had approached a different broker in that respect, who reportedly suggested that "standard practice" was for this sum to represent 20% of the stated reinstatement value of the Building.

30. In other respects, the insured sums were revised "automatically" between 2023 and 2025 with no notable amendments being made to the policy over those years. Over those years, no alternative quotes were sought as premiums increased only on account of inflation. Premiums have increased from £9,708.45 in 2023 to £10,045 in 2024 and £10,591.13 in 2025.

31. Prior to then, alternative quotes had been sought in 2022 and 2023, due to significantly increased proposed premiums (notably because Aviva's flood-mapping assessments were becoming more sophisticated and began to consider the Building as at higher risk of flooding). In 2021, the premium had been £5,875.75. In 2022, it had increased to £8,785.93. Only one insurer provided an alternative quote – Allianz. Allianz's conditions did not permit underletting, which the Respondent required.

RSA (now known as Intact) would only offer insurance where premiums exceeded £10,000. Clearly, in light of the Aviva quote, no RSA proposal would have been pursued.

32. In 2023, a significant issue arose. Aviva had further refined its flood-risk assessments and re-classified the Building as being in a high flood risk area. This resulted in a significant review of the Building's insurance. As touched on above, the existing bespoke policy was replaced with a more standard form. The flood risk excess was increased from £1,000 to £5,000 and the premium also increased, albeit not as significantly as the previous year (as recorded above). Alternative quotes had also again been sought, but none had been provided due to the perception of increased flood risk.

33. The Broker obtains commission from Aviva for insuring the Building with it. It is 30% of the premium. It explained at the hearing that it was not motivated by commission and that, in any case, it would typically amount to between 20-30% of a premium. It regularly sought to negotiate the premium downwards, agreeing a reduction of £481.34 in 2024.

34. The Broker shares this commission with the Respondent. The details of the agreement between the Broker and Respondent were unclear; it was described at the hearing as being subject to negotiation. Some documents suggest that it amounts to roughly 33% of the Broker's commission, so around 10% of the premium. The Respondent says that it receives less than that. The Tribunal had no reason not to accept the figures supplied by the Respondent, which were around £450 in 2021 and 2022, increasing to £728.13 in 2023, £753.37 in 2024 and £794.33 in 2025.

35. This commission is retained by the Respondent who explained at the hearing (and the Tribunal accepted) that it addressed the Respondent's costs of arranging the insurance with the Broker and reviewing the insurance proposals. The Tribunal found, however, that, in reality, the Respondent had a minimal role in both arranging the insurance and reviewing any insurance proposal. It was clear to the Tribunal that the Respondent had a long and trusting relationship with the Broker, who was fully appraised of the Building's insurance requirements. It needed little input from the Respondent. In relation to the choice of insurance product, the Respondent relied almost exclusively on the Broker's judgement. It had very little knowledge of the insurance arrangements. For instance, it demonstrably did not review the insured sum for temporary leaseholder relocation between 2023 and 2025 (and had no idea that it might be something the Broker expected it to consider). There was plainly very little for the Respondent to consider in 2024 and 2025 as there were no amendments to the policy.

36. The Respondent charges the Applicant (and his fellow leaseholders) 15% of the total expenditure on insurance (premium plus tax) as an "administration expense". The Respondent explained that it considered this addressed the work involved in apportioning the insurance costs between the Applicant and his fellow leaseholders and sending them invoices. The Respondent gave no indication of how it arrived at its assessment of the value of this work, save to say that the charge was permitted by the Lease. It explained that around 20 years ago, it charged 15%, made up of a charge of 12.5% that it retained, together with VAT (which it did not retain). When it ceased to be VAT-registered, it increased the charge it retained from 12.5% to 15%.

37. The Applicant acquired his interest in the Lease in or around October 2021. In practice, his service charge is "split" into two parts. One part of the service charge relates to insurance, which is organised directly by the Respondent via the Broker. The Respondent demands the costs related to insurance directly from the Applicant and his fellow leaseholders by yearly invoice produced in December each year. These invoices amount in law to service charge demands. Contrary to section 21B of the Landlord and Tenant Act 1985, they are not accompanied by a summary of the rights and obligations of tenants. The Applicant is therefore entitled to withhold payment, but has neither done so nor does he raise issue about his liability to pay the service charges on this account.

38. The second part of the Applicant's service charge relates to the management and maintenance of the Building and Estate. This is largely irrelevant to these proceedings and the Applicant has not challenged any part of this element to his service charge. The Tribunal had very little information about this.

39. The Applicant first queried the insurance arrangements for the Building after receipt of his December 2023 invoice. He asked the Respondent by email for a breakdown of the £1,274.21 charged. He received no reply.

40. The Applicant raised a further, more detailed, query by email upon receipt of the December 2024 invoice. He asked for information about the policy, its cost, relevant commissions, an explanation of why the chosen insurance was appropriate and evidence of alternative quotes obtained. Over a month later, on 10 January 2025, he was invited to redirect the queries to the Broker, which he promptly did. The Broker promptly answered his queries, much of which were addressed via a "leaseholder insurance information disclosure document". It explained why the insurance had been chosen as follows. "*Having considered the requirements of all parties who can benefit from the policy and cover, we proposed this insurance product, taking into account the scope of cover, security, accessibility and services provided by your*

Insurer and on the basis that it continues to offer fair value". It stated that no alternative quotes had been sought. It detailed the various Broker's and Respondent's commission.

41. The Applicant followed up to ask "*when the market was last tested*", noting his understanding that it would "*not [be] practical to remarket every year*". He asked whether the Respondent's commission was passed back on to the leaseholders. The Broker did not know the answer to the second query regarding commission, but responded as follows to the first: "*[we] review the insurance market annually as part of our business model and assess the best insurer for the type of product In the case of [the Respondent], we have a relationship with AVIVA who are our preferred market and they offer the most competitive terms due to the number of policies held with them*".

42. The Applicant responded to request when alternative insurers had been approached and what quotes they provided. He redirected the commission query to the Respondent.

43. The Broker responded: "*[t]he policy has been requoted annual since 2020 but other insurers have been either uncompetitive, refused to quote due to the flood zone or not accepting of sub-letting arrangements We negotiation every year on premium and excesses to ensure the best terms are provided*".

44. On 30 January 2025, the Applicant wrote back to say that he had sought alternative quotes and believed the appropriate market rate for insuring the Building to be between £3,200 and £5,800 per year (with the latter being a quote provided by Aviva). He asked for an explanation why the actual premium paid in 2024 was "*3 times what it could be*" [it was £10,045, which together with tax amounted to £11,250.40].

45. The Broker reiterated the flood risk concern, including that some insurers would not provide quotes. It also reiterated the issues mentioned before about unsuitable conditions in respect of sub-letting and that "o*ur experience and knowledge of underwriting and claims handling service mean we continue to recommend AVIVA*". It did not directly engage with or request information about the quotes allegedly obtained by the Applicant. The Applicant received no reply to a further follow-up request, nor did the Respondent reply to explain how it accounted for the commission it received.

46. The Applicant sought and obtained further quotes for the Building insurance in March 2026 and provided copies to the Tribunal. The quotes were both a little under £5,000 (inclusive of tax).

47. At the hearing, the Applicant queried for the first time whether the Building was in fact in a flood-risk zone. He said that the Government's flood risk assessment (presumably that provided on a website such as https://check-long-term-flood-risk.service.gov.uk/risk#) was that the Building was at "low" or "very low" risk of flooding. The Broker explained that insurers use ever-more sophisticated flood risk modelling software that may produce different and more precise results to the Government's analysis. It could not comment any further as it had had no prior knowledge of the assertion. The Respondent and Broker committed to investigating the issue with Aviva.

Conclusions

Issue 1 – were the insurance costs reasonably incurred?

48. In general, there is nothing unusual, unreasonable or objectionable about the Respondent seeking the Broker's assistance in seeking insurance. The Applicant has not suggested or provided any evidence that the Broker was not a genuine professional insurance intermediary, operating at arms' length from the Respondent, providing it with appropriate advice. The Tribunal did not understand the Applicant to be submitting that the Broker somehow colluded with Aviva to charge inflated premiums such as to result in artificially inflated commission. Even if he was, there was no evidence of that. He also presented no evidence that the Broker's commission was unreasonably high in comparison to commissions that might be received by other brokers, or (more importantly) that the level of commission in fact had any material impact on the underlying premium.

49. The Tribunal noted that the Respondent had a very long-standing relationship with the Broker and had not considered approaching any others. However, there is no requirement for it to do so, certainly absent any genuine concerns that the Broker was not dutifully performing its role. Nothing over the course of their decades-long relationship has raised any doubts about that. Nothing the Broker said at the hearing would cause any reasonable person to believe otherwise. Indeed, that the Broker attended the hearing at such short notice to give a lengthy and detailed account of the Building's relevant insurance history quite clearly suggested it performed its role dutifully and diligently.

50. The Applicant did clearly query whether the Broker and/or the Respondent allowed their advice and decisions to be tainted by personal financial interest but there was no good evidence of that. The Broker denied such a motivation and regularly sought to negotiate premiums downwards, which would in fact reduce the commission received. In respect of the Building's insurance, the Broker receives commission from Aviva of 30%, which is at the very higher end of the range it expects to receive (20-30%). However, it has explained the various legitimate reasons why the Broker recommended (and the Respondent accepted) insuring the Building with Aviva. They are recorded above, including more suitable terms, an established relationship and a perception of a good claims-handling record. The Broker did not refuse to consider alternative insurers and sought alternative quotes over the years. It had sound objective reasons for recommending the insurance be renewed with Aviva.

51. Although the Respondent itself receives commission out of the Broker's commission, there was no evidence that it positively encouraged the Broker to insure the Building with Aviva, such as to maximise the Broker's commission, such that its own "share" of the commission would be maximised. In any event, there was no evidence that the commission arrangements would have been any different had insurance been provided by a different company. Indeed, the evidence was that other properties owned by the Respondent (or possibly associated companies) were insured via the Broker with companies other than Aviva. There was therefore no evidence of any "blanket agreement" that the Broker would always procure insurance from Aviva for improper financial gain.

52. The Tribunal also considered that the Lease specifically envisaged the Respondent receiving commission on insurance. As it is directly countenanced in the parties' agreement, the Tribunal could neither conclude that the receipt and retention of commission should be considered inherently improper, nor that it should in and of itself constitute good evidence for the Applicant to suggest otherwise.

53. As to the premiums themselves, the Tribunal accepted the Respondent and the Broker's explanation as to why premiums had increased significantly since 2021. The Respondent is not required to seek the cheapest insurance available. The Lease provides it with a wide discretion in relation to insurance, so long as it is obtained from an insurance office of repute. Aviva is undoubtedly one of those.

54. Due to flood risk, the premiums have increased significantly since 2022. The Respondent is required to insure against flood risks where possible at reasonable cost. It was possible to obtain flood risk insurance, as Aviva provided it. The Applicant presented no positive case that the overall insurance cost in any year was to be considered unreasonable such that the risk should not be insured at all. His

case was that it was excessive when compared to other quotes he obtained in 2025 and 2026. The Respondent clearly believed the premium to be reasonable enough to be accepted. The Tribunal agreed. Accordingly, the Respondent was obliged to insure the Building against loss or damage caused by flood.

55. There was no evidence from years leading up to and including 2024 that any cheaper quotes for equivalent insurance had been obtained and ignored. Rather, the evidence was that alternative quotes had been sought on at least two occasions between 2021 and 2025 (in 2022 and 2023), in addition to regular generic annual market reviews conducted by the Broker. When alternative quotes were provided at all, they were based on unsuitable terms or were considered overall to be inferior to Aviva's proposal. Even if suitable alternative quotes had existed, the Respondent would not have been obliged to accept them if it had sound reasons for choosing another.

56. It will invariably be difficult for a leaseholder to succeed in any case where they allege that the costs of insurance have been unreasonably incurred due to allegedly excessive premiums, in circumstances where an independent broker has been engaged to assist and there is nothing obviously untoward in the relationship between the freeholder, broker and/or insurer. In reality, the minimum evidence that the leaseholder would have to provide is contemporaneous evidence of alternative and directly comparable quotes that clearly meet the requirements of the relevant lease. This includes clear evidence of the precise insurance conditions proposed. Ideally, the leaseholder would have also previously presented this information directly to the freeholder (or its broker, where applicable) at a time at which it could be properly considered in advance of any insurance renewal. The difficulty a leaseholder will then face is that, even then, a freeholder retains discretion to choose the insurance it prefers, so long as that choice remains reasonable. It would be ideal for the information to be shared in advance with the freeholder because a Tribunal will far more readily be in a position to find it has acted unreasonably were it to have ignored the information presented to it than if it had never been aware of its existence. Clearly that won't always be possible where insurance costs are only known to a leaseholder after having been incurred. However, in those instances, if the freeholder is unaware of genuinely suitable and comparable insurance being available at significantly lower cost, despite having taken reasonable steps to ascertain that (typically exemplified by seeking a broker's assistance), it will be hard to conclude it has acted unreasonably.

57. Many leaseholders will (and no doubt do) ultimately decide that effectively challenging a building's insurance arrangements before the Tribunal will therefore be a time-consuming, stressful and possibly costly exercise, often for proportionately little, if any, gain. Equally, were they to have proceeded as outlined above, it is far

less likely the matter would come before the Tribunal in any event, as the freeholder would clearly have every reason to pursue the leaseholder's proposal. If it did not, it would face the clear risk of a Tribunal finding that any higher insurance costs would have been unreasonably incurred and not payable by its leaseholders.

58. Evidently, the greater the difference in premium, and the more clearly the leaseholder can establish that the applicable insurance conditions are genuinely suitable and comparable to the existing insurance (and/or establishing that the freeholder's existing requirements are unreasonably excessive), the greater chance the leaseholder will have of establishing insurance costs might have been unreasonably incurred. In reality, that amounts in large part to the leaseholder performing a similar role to a broker, but for no direct financial gain other than *potentially* contributing towards a lower premium (and even then, the potential "saving" would be shared amongst all leaseholders in proportion to their service charge contributions).

59. As a body primarily designed to resolve disputes, it is not the Tribunal's role to undertake that level of investigation without the leaseholder providing sufficiently detailed and precise evidence and submissions on all of these issues.

60. In this case, the Applicant had presented no such detailed information to the Respondent or the Broker prior to the 2024 insurance renewal. He presented the Broker with an indicative range of alternative quotes in early 2025. It was clearly too late by then for the Broker to properly take them into account for the 2024 renewal. The Broker could have engaged further with the matter in advance of the 2025 renewal, but the Applicant had provided none of the detailed comparative analysis I have referred to above. He did not explain what factual details he provided to the insurers. He did not explain whether their conditions were clearly comparable to the existing insurance and suitable, or whether they adequately met the Lease requirements.

61. Without this information, the Respondent, via its Broker, were reasonably entitled to view the alternative quotes with some scepticism, to prefer to rely on their own knowledge, experience and judgement, and to arrange insurance in line with their existing practice. As the Applicant himself recognised in his correspondence with the Broker in January 2025, it will not be practical or proportionate to undertake a detailed and specific insurance review every year (beyond the Broker's more generic annual market reviews). The Broker had reviewed the Building insurance in some depth in 2023, including seeking alternative quotes. Certain insured sums and premiums since then had only been adjusted on account of inflation. There was no obvious reason to review the insurance further (beyond a generic annual review),

certainly not to the extent to lead the Tribunal to conclude that the costs of insurance had been unreasonably incurred due to the decision not to seek alternative quotes in 2024 and 2025.

62. The Applicant's main submission was that the Respondent and/or Broker had not acted with due diligence in arranging the Building insurance, demonstrated by the excessive premium paid. For the reasons outlined above, the Tribunal concluded that, certainly up until and including the insurance renewal in December 2024, the insurance costs had been reasonably incurred. The Respondent had engaged the Broker; it followed its advice. On analysis, there was nothing suspicious about how the Building insurance had been arranged. The Building's insurance arrangements had been reviewed regularly by the Broker, both generically annually and more directly in 2022 and 2023. It was reasonable for the Respondent not to have undertaken more detailed reviews beyond that. The Applicant had not made the Respondent or Broker aware of his specific concerns and alternative quotes until January 2025, after the 2024 insurance renewal.

63. In the context of that correspondence in January 2025, the Applicant had not provided any details about the alternative quotes received, the applicable conditions and their potential suitability. The Broker might have asked for more details and provided more expansive answers, but was not required to do so. It responded adequately and candidly to the Applicant's queries. The Applicant provided no more detailed information about alterative quotes until presenting his application in October 2025. Even then, the only detailed quotes he provided dated from March 2026, after the 2025 insurance renewal.

64. Ultimately, therefore, the Tribunal has reached the same conclusion in respect of the 2025 insurance costs – they have been reasonably incurred. It is noteworthy that the Applicant has provided far more detailed information to the Tribunal, dating from March 2026 (post-dating the latest insurance renewal by several months), than he ever did to the Respondent and/or Broker in advance of the renewal. Indeed, it was only at the hearing that he queried the Building's flood risk status, which was one of the main issues the Respondent and Broker said that they faced (which was made very clear to the Applicant in January 2025). He might have expected the Respondent and/or Broker to have reviewed this themselves and challenged Aviva's assessment of flood risk. However, there was no obvious reason for them to have doubted Aviva's assessment (that was produced by sophisticated modelling software), considering the Building's riverside location, or believed they would have been able to change its assessment. Equally, there was no obvious reason to believe Aviva's assessment differed from those of other insurers (in fact the Broker's view was that that was unlikely).

65. As far as the Tribunal was concerned, it was not able to conclude that the presented alternative insurance proposals were genuinely comparable in any event. The Allianz quote had a more significant flood excess of £10,000 (double the present Aviva excess) and was required to be based "*on a fair presentation of the risk*". The Tribunal was unaware what presentation had been made or whether it was "fair". In respect of the Intact quote, it is not clear it allowed for under-letting, which the Respondent submitted was a reasonable requirement in light of the Lease terms. The summary of the "residential tenancy requirement" in that quote refers to tenancies agreed between the Respondent and tenants, not between tenants and third parties.

66. Discussion of these details are far better suited to direct engagement between the Applicant, Respondent, Broker and insurers than a summary perusal, on incomplete evidence, by the Tribunal without focussed submissions on the nature of the different insurance proposals and the relevant Lease requirements.

67. The Broker has helpfully committed to reviewing the Building insurance in more detail prior to the 2026 renewal, including in respect of flood risk. It will investigate the Applicant's alternative quotes and identified insurers. It believed that previously RSA (now known as Intact) would not have provided a suitable quote (or it would not have been pursued) due to the premium being below £10,000. If that is still the case, the concern no longer applies as the latest premium was £10,591.13.

68. At the conclusion of those investigations, the Tribunal expects the Broker and/or Respondent to explain to the Applicant any concerns they have with the alternative proposals and relevant differences to Aviva's conditions.

69. Accordingly, the Tribunal concluded that in every year in dispute the costs of insurance had been reasonably incurred and found that they were payable in full.

<u>Issue 2 – are the Respondent's "administration expenses" payable?</u>

70. The Lease provides that "up to" 15% of relevant expenditure can be charged to the Applicant on account of the Respondent's "administration expenses". However, the Lease is clear that any service charge must be based on actual costs incurred. That is stipulated in clause 3(b) and the fifth schedule, which refers to costs "*actually disbursed incurred or made*". It is also entirely standard practice and is expressly provided for in the statutory definition of "service charge". Accordingly, costs that are not in fact incurred are not payable as a service charge. Such costs/expenses can include overheads or internal costs that do not generate specific invoices, which are

clearly the sort of "administration expenses" envisaged in the Lease. They are not necessarily easy to properly evaluate.

71. Properly interpreted, this is precisely what the terms "up to" 15% reflect. Where "administration expenses" have been incurred by the Respondent in undertaking any Lease obligation, the parties agree that it would be permissible to charge leaseholders "up to" 15% of the costs expended. Nothing would be payable if no such "administration expenses" were incurred. If the "administration expenses" were minimal in comparison to a sizeable outgoing, 15% would not be a fair reflection of the Respondent's "administration expenses" and the charge would be much lower than 15%. As usual in matters of this kind, the Respondent has some discretion about what it might consider "reasonable" and the Tribunal will typically intervene only when a charge is clearly unreasonable or where the Respondent has simply failed to consider at all what might be a reasonable charge.

72. Separately, but of considerable relevance, the Lease provides that the Respondent is entitled to retain any commission obtained for procuring insurance. More precisely, this entitlement is recorded in a section of the Lease concerned with the calculation of the Service Charge (which is predicated on leaseholders only paying actual incurred costs) and the preparation of the end-of-year service charge certification to be provided to the Applicant. Nowhere else in the Lease is it envisaged that the Respondent will obtain any particular financial gain, save evidently in the premium paid for the Lease and ground rent. In context therefore, the real effect of the provision is to permit the Respondent to simply record the premium paid in the service charge accounts and claim it in full from the leaseholders; it is as much a tool to facilitate the preparation of the accounts as anything else.

73. The relevance of the commission is that the Respondent stated at the hearing (and the Tribunal accepted) that it addressed the Respondent's costs of arranging the insurance – essentially liaising with the Broker, reviewing proposals and agreeing the policy. This makes good sense and is a practice largely reflected in both the previous and current editions of the RICS code of practice relating to the management of residential property. Section 12.6 of the third edition of the code is as follows.

> "*Your client and leaseholders should be notified annually of any remuneration, commission and other sources of income and related income or other benefits you receive in connection with placing or managing insurance. You should also obtain your client's informed consent to retain any commission received. It is best practice to declare any other sources of income and related income or other*

benefits including commissions arising from the provision of services with the annual service charge accounts. On request, you should declare what services are provided for the income received and the costs must be proportionate to the service".

74. Section 5.18 of the code effective from 7 April 2026 includes as follows.

    "*Any commissions, fee income or remuneration of any sort received by a landlord should be offset against the costs recoverable as service charges, unless the landlord is able to demonstrate that the remuneration is in return for a service and proportionate to the cost and value of that service. Any service provided by the landlord should be supported by a service level agreement or contract*".

75. The code is not binding and not especially relevant to the Tribunal's determination. It placed no reliance on it. The Tribunal simply notes that, in practice, the Respondent's approach is broadly consistent with the common sense approach it promotes (whether intentionally or otherwise). In circumstances where the Service Charge is not intended to provide the Respondent with any financial windfall, the commission principally serves to compensate it for the work involved in procuring insurance – described in the Lease as "administration expenses". RICS now advises that best practice is to agree a "service level agreement" with leaseholders in relation to such work. For a long time it has promoted transparency around commissions and their proportionate allocation to work undertaken.

76. Be all that as it may, the Lease provision is clear and the Tribunal concluded that the commission received by the Respondent could be properly retained by it whatever the real extent or value of the Respondent's work. This matter did not appear to be directly in dispute. Whatever "best practice" may be and regardless of how it has evolved over time, the Respondent did as it was permitted by the Lease.

77. Returning now to the matter in issue – the "administration expenses" – nowhere, however, does the Lease say that the commission received by the Respondent is irrelevant to any assessment it makes of whether it would be appropriate to charge "up to" 15% of the insurance premium as an "administration expense". If those "administration expenses" have already in fact been addressed by the commission, such that there are no further expenses to charge to leaseholders, it follows that nothing further should be charged. Whether or not to levy such a charge and, if so, in what amount is an assessment for the Respondent to make. If it wishes to charge for "administration expenses" it must use its discretion to determine what would be a fair amount, taking account of all relevant factors. In this case, those factors include,

notably, whether any "administration expenses" had been incurred that had not already been compensated in full by the commission received.

78. Most, if not all, of the insurance-related "administration expenses" anticipated in the Lease would refer to the instruction of the Broker and choice of policy. On the Respondent's own case, these costs are addressed by the commission it receives. The Tribunal was not presented with any good evidence that the Respondent had ever considered whether the commission was fair compensation for the work it undertakes. The overall amount was relatively small such that it would not obviously be proportionate to do so. No doubt in some years the work involved will be greater than in others. In the years in dispute, as explained above, the Respondent's role was extremely limited. It essentially delegated the matter of insurance to the Broker. The Broker had all of the information it needed relating to the Building, the Lease and claim history to make a judgement about the insurance proposal to recommend, which advice was accepted. The Respondent was oblivious to one of the only aspects of the insurance where it did have a standalone responsibility – evaluating the level of cover required for temporary relocation costs.

79. So far as the commission itself is concerned, there is no need for the Respondent to assess the value of its work – the Lease provides for it to simply retain the commission regardless. However, in deciding whether to charge the leaseholders anything "up to" 15% of the costs of insurance, the situation is different. Before levying any charge, the Respondent must have determined whether any such "administration expenses" remained outstanding (and, if so, to what value). If the commission had already adequately compensated the Respondent for its "administration expenses" there would be no further work that had been undertaken to justify any service charge. To consider that the commission had already compensated the Respondent for its work, but yet to nevertheless charge "administration expenses" would clearly amount to "double-counting" and result in the Respondent demanding service charges for expenses that have not in fact been incurred. The Lease does not permit that.

80. The Respondent said that the "administration expenses" it charges relate to its costs of apportioning the insurance between the 15 leaseholders on the Estate and sending them invoices. However, no objective evidence was presented of this or how those costs had been evaluated. The Lease makes no distinction between different heads of "administration expense" such as liaising with a broker as distinct from leaseholder invoicing. The latter task is both very straightforward and had not in fact been validly performed (no summary of tenant's rights accompanied the demands). Furthermore, it is not envisaged by the Lease that the Respondent is to undertake this task. The fifth schedule proceeds on the basis it is a task for the Respondent's managing agent.

There is no reason the Respondent can't do this itself. However, in this case, it results in duplication in the preparation of service charge demands: one "set" is prepared by the Respondent related to insurance, the other "set" is preparing by whoever manages the Estate. It is far from clear why it would be reasonable to incur additional costs on account of this duplication, amounting to 15% of the value of the Building insurance. The Tribunal would have found that any costs involved in levying such an additional "parallel" service charge demand would likely not have been reasonably incurred. It did not in fact need to reach that conclusion to determine this application, however.

81. The Tribunal determined that, at all relevant times, the Respondent in fact considered the "administration expenses" as an arbitrary figure it could charge as of right, irrespective of the expenses actually incurred in procuring insurance and irrespective of whether those expenses had in fact already been satisfied by the commission. The entirely arbitrary nature of the assessment of "administration expenses" was made abundantly clear when the insurance premium increased significantly from 2022 onwards, far beyond any usual measure of inflation. The Respondent's apportionment and invoicing task did not obviously change in any way, yet its "administration expenses" increased proportionately to the premium.

82. For this reason, the Tribunal concluded that the Respondent had failed to exercise its discretion to determine what, if any, "administration expenses" to demand by way of service charge. Were any to be claimed, the Lease required it to exercise that discretion. In order to undertake that exercise reasonably, the Respondent needed to consider whether the commission it received had already addressed the minimal expenses it had incurred. As the Respondent had not performed this assessment, the Tribunal did. It had adequate evidence to do so. The Tribunal had no hesitation in finding that the commission received by the Respondent in every year in dispute fully addressed the Respondent's minimal costs of procuring insurance in those years and invoicing leaseholders for it. There was no good reason to treat these two related tasks as distinct "administration expenses", the first compensated by commission and the second by service charge (if it was reasonable to levy a service charge for invoicing at all). It therefore determined that in fact no further "administration expenses" existed which could justify the imposition of a service charge. Accordingly, no part of the service charges in dispute related to these "administration expenses", from any year in dispute, are payable by the Applicant.

83. As the Applicant is looking to sell his interest in the Property, the parties sensibly agreed to simply reimburse these sums to the Applicant. The Tribunal cannot order this. As explained at the hearing, the exact sums due to the Applicant are left to the parties to calculate. They can presumably either be established by simply calculating

what the 15% uplift on the Applicant's share of the insurance is for each year, or alternatively working out the difference between 10.19% of the insurance premium and what the Applicant actually paid each year.

Costs

84. The Applicant has ultimately been successful only in part of his application. He has unsuccessfully sought reimbursement of some of the insurance premiums paid. However, in reality, he has succeeded in large part in the sense that he has been concerned by the opacity of the Building's insurance arrangements for several years. He has only now been provided with the explanations of how the commissions have been distributed, what "administration expenses" were being claimed and on what basis. These were questions he asked that had gone unanswered. That appears to be in large part because the Respondent considered itself entitled to retain the commission and charge an additional arbitrary sum of 15% of each insurance premium to the leaseholders without even considering whether that was genuinely justifiable. It was not so entitled. The Claimant has been required to come to the Tribunal to have that issue both clarified and determined.

85. In these circumstances, the Tribunal concluded that it would be just and equitable for the Applicant not to have to bear any of the cost of the litigation, by way of service or administration charge (to the extent the latter would be applicable at all).

86. However, the Applicant's concerns about the insurance premiums could and should have been better addressed directly with the Respondent and/or Broker. That issue should not have been brought to the Tribunal and took up a considerable amount of its time. The Tribunal's main role is not to facilitate discussion of such matters, although it permitted that in light of its broader purpose to resolve disputes efficiently. It exists primarily to determine properly arguable disputes. The Tribunal therefore determined to make no order as to the reimbursement of Tribunal fees.

Judge M. Hunt

30 June 2026