FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case Reference	:	HAV/45UF/LSC/2025/0814
Property	:	Unit 105, Ifield Court Hotel, Charlwood Road, Ifield, Crawley, RH11 0JY ("the property")
Applicant	:	Haibei Song
Respondent	:	Gloucester Terrace One Limited
Representative	:	Donald Fletcher Limited
Type of Application	:	Determination of liability to pay and reasonableness of service charges Section 27A Landlord and Tenant Act 1985
Tribunal Members	:	Judge H Lederman S Mason FRICS
Date of reconvene	:	3 September 2026
Date of decision	:	15 October 2026

Decision and reasons

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DECISION

1.1 The amount payable and reasonably incurred as service charge for the 2019 service charge year was £2611.18 (being £3053.48 less £442.30 deduction for unreasonable management fee);

1.2 The amount payable and reasonably incurred as service charge for the 2020 service charge year was £2388.80 (no deduction);

1.3 The amount payable and reasonably incurred as service charge for the 2021 service charge year was £1721.62 (being £2884.17 less £728.89 deduction for unreasonable management fee, £314.47 Respondent's calculation error and £119.19 internet charges);

1.4 The amount payable and reasonably incurred as service charge for the 2022 service charge year was £3471.43 (£5129.11 less £874.67 business rates, £120.41 internet and £662.60 cleaning materials);

1.5 The amount payable and reasonably incurred as service charge for the 2023 service charge year was £4540.87 (£5756.20 less £212.91 unreasonable management fee, £286.96 business rates, £120.41 internet charges and £715.46 cleaning materials);

1.6 The amount payable and reasonably incurred as service charge for the 2024 service charge year was £3853.23 (£4470.72 less £279.89 unreasonable management fee, £97.19 business rates, £120.41 internet charges and £120.00 Head office salaries deduction);

1.7 The amount payable in advance of costs being incurred as service charge for the 2025 service charge year is £4891.27 (£6543.00 less £1170.34 surplus, less £264.14 unreasonable management fee £97.19 business rates and £120.41 internet charges);

1.8 The Respondent shall reimburse the Applicant £341.00 (being the application fee of £114.00 and the hearing fee of £227.00) within 14 days of the date of this Decision;

1.9 None of the management or legal costs of these Tribunal proceedings shall be relevant costs for the purpose of service charges payable by the Applicant pursuant to section 20C of the Landlord and Tenant Act 1985 ("the 1985 Act").

1.10 No litigation costs of or associated with this application may be charged to the Applicant under paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 ("the 2002 Act").

These determinations take no account of credits to the Applicant's account paid directly by the Applicant, through or by Baker Harrington Limited or Stow Capital Limited. Those credits payments are outside the Tribunal's jurisdiction.

REASONS

Introduction and Participants

1. This Decision and the reasons supplement and should be read together with the Tribunal's directions dated 8th July 2026 following an initial face to face hearing on 6th July 2026. Following that hearing the Respondent provided "Further Submissions and Evidence" comprising 156 pages which included a copy of the lease with a floor plan and site plan depicting the property not previously available: pages R2[67-70]. References to page numbers with the following notation "R [ ]" are to that bundle. References to the hearing bundle itself are described simply as [page number]. This application was in effect responded to by Donald Fletcher Limited ("DF") on behalf of the Respondent. Where appropriate references to the Respondent should be taken to include DF. References to management fee should be taken to include services which would ordinarily be encompassed by those provided by a managing agent whether or not described in the accounts as management fee.

2. The Applicant is a leaseholder of the Property a first floor apartment forming part of a building known as Ifield Court Hotel, Charlwood Road, Ifield, Crawley, RH11 0JY for a term of 999 years from and including 1st January 2016. At some point in early 2020 on a date which was not in evidence, the Respondent took an assignment of the freehold of landlord's interest in the building known as Ifield Court Hotel. A notice of assignment dated 17th March 2021 at [116-117] provided by DF the managing agent on behalf of the Respondent described the assignment but not the date of that transaction. An "audited service charge certificate" served on behalf of the Respondent dated 15th January 2000 is at [147].

The relevant leases

3. The lease of the Property dated the 28th November 2017 ("the Lease") was granted by Trivelles River House Limited ("TRH") as landlord to the Applicant as leaseholder. This was registered at the Land Registry on 16th February 2018. Contemporaneous to the Lease and as part of the same transaction, on the same date, the Applicant granted a tenancy of the Property for a term of 10 years from 28th November 2017 to Baker Harrington Limited ("BH") described in that tenancy agreement as "Management Company" ("the tenancy"). This arrangement was confirmed in clause 4 of the contract of sale between TRH and the Applicant. Part of that contract was produced as an annex to the Applicant's supplemental skeleton argument of 30 June 2026.

4. The relevant parts of clause 1.1 of the Lease define the Property as "The unit on the first floor of the building known as Unit 105 Trivelles Gatwick. Charlwood Road, Ifield, Crawley, RH11 0JY". The site plan numbered 1 annexed to the schedule to the Lease described the land and building containing the property as Ifield Court Hotel. The floor plan on page 68 forming part of the schedule to the Lease described the Building

as "Trivelles Gatwick" and contained a description of the property as 105 Luxury Studio. The permitted user of the property in clause 1.1 of the Lease is "commercial serviced apartment room".

5. The user clause 6.1 in the tenancy permitted the Property to be used only as a serviced apartment. Clause 6.2 of the tenancy prohibited any use of the property for the purpose of conducting a business other than that of a serviced apartment. Clause 7 permitted subletting or assigning of the whole but not part of the Property. The agreed rental payments in clause 1.1 of the tenancy are consistent with the arrangement being described as providing a guaranteed rental income to the Applicant for the period of the tenancy.

6. The Respondent's case is that it appointed DF as managing agent of the Ifield Court Hotel in a management agreement dated 14 April 2021, a copy of which is found at pages [122-139]. The services to be provided by DF were described in Schedule 1 to that agreement at [129]. As part of his case the Applicant required the Respondent to prove DF had the Respondent's authority to issue service charge demands for the Property. The management agreement provided the necessary authority from the Respondent. The date of the agreement is consistent with the nearly contemporaneous emails sent by DF in April 2021 at pages [266-267] and ground rent demand at [184].

7. The Respondent says that on 19th April 2021 DF entered into an agreement with Large Hospitality Limited ("LH") for LH to operate the hotel trading from or as Ifield Hotel. A copy of that agreement with LH is produced at [140-145]. The Agreement says LH provides services to rooms apartment and common areas whilst DF is managing agent for common areas: see [140]. Solely for the purposes of this decision and not by way of precedent for any other decision or purpose, the Tribunal accepts the authenticity and date of that agreement. The Respondent says the effect of that agreement was LH operated the hotel trading at Ifield Hotel and provided services to rooms/apartments and common areas. The Respondent says that from April 2021 DF oversaw "common-area standards, budgets, compliance and service charge recovery". A key issue for the Tribunal is how this arrangement was reflected in service charge demands and accounting for the costs of services.

Other protagonists

8. The documents in the hearing bundle at [393 -394] show that during the Covid epidemic in July 2020 BH was having difficulties in maintaining service charge payments to some of its "clients" where it had agreed to act as manager, presumably in similar guaranteed rental income arrangements. By January 2021 BH acknowledged that they had not made payment for service charges due under the Lease to the Applicant for periods including the 2019 service charge year: see BH's letter January 2021 at [396]. By a letter which the Applicant says is dated 24th May 2021, BH effectively gave notice of termination and said BH had appointed an "interim management company" to "take care of cleaning

security and rental management" of the Property named Stow Capital Limited ("SC"): see [397]. The Tribunal makes no finding about the precise dates of these events, as the letters from BH provided by the Applicant in the bundle often do not include the original dates because of the way in which they have been copied. In summary the Applicant says he has not appointed or authorised SC to act as agent on his behalf or collect rents from the Property.

Is the Property a "dwelling" to which the provision of sections 18-30 of the Landlord and Tenant Act 1985 applied?

9. In advance of the hearing on 6th July 2026 the Tribunal issued directions on 30th June 2026 inviting the parties to address:

> a. the issue of whether Unit 105 the subject of this application is a "dwelling" for the purpose of section 18 and 27 of the Landlord and Tenant Act 1985
>
> b. Woodfall paragraph 7: 243; *Cloisters Business Centre v Anvari* [2026] 2 WLR 1059; *JLK Ltd v Ezekwe [*2017] UKUT 277

10. The Applicant provided a supplemental skeleton argument addressing those issues. The Respondent did not. Having heard argument and evidence from Mr Mubarak Ahmad of DF and from the Applicant (with the assistance of a Mandarin Chinese interpreter) at the hearing on 6th July 2026, the Tribunal finds as follows:

10.1 The property could be used by a person or persons to occupy, whether or not necessarily taking advantage of bathroom and cooking services and facilities of the commercial operation of Ifield Hotel;
10.2. The property included ensuite toilet and bathroom facilities;
10.3. The property had at the date of the grant of the Lease and subsequently sufficient room and electrical power sockets for using a hot plate and microwave for cooking basic meals;
10.4. There was no central kitchen or dining room in the Ifield Hotel which the Applicant or any occupier of the Property was required to use if meals were to be taken at the Ifield Hotel;
10.5 At the date of the grant of the Lease, there was no central kitchen or canteen at the Ifield Hotel which the Applicant or any occupier of the Property was able to use for cooking facilities as Mr Ahmad suggested in his oral evidence;

11. The Tribunal is unable to accept the evidence of Mr Ahmad about the nature of the cooking facilities available to the leaseholder and any occupiers of the property for the following reasons:

11.1 Mr Ahmad acknowledged that he only became involved as a "property manager" at the Ifield Hotel in 2021, some 3-4 years after grant of the Lease in about 2021. He had no first-hand knowledge of events or of the configuration of the hotel in 2017. He referred to works taking

place at the Ifield Hotel in about 2021 which increased the numbers of rooms to 47 but was unable to produce any document or plans to support his understanding. The Tribunal derived very little assistance from his evidence about the facilities available at the Property at the date of the grant of the Lease.

11.2 The Applicant referred to item 14 of the Schedule to the purchase contract annexed to his supplemental skeleton argument which indicated that the Property he purchased included Kitchenette facilities including Oven microwave, plates, cups, hot water kettle, kitchen cabinet and fridge. This corroborated his evidence that he had personally used a hot plate and microwave for cooking at the Property when he visited with his family in the past;

11.3 Mr Ahmad was unable to point to any provision in the Lease or other contemporary document which reflected his understanding of the arrangements for cooking facilities at Ifield hotel; in particular although the Lease made reference to communal toilets, lounges and gym there was no explicit reference to communal cooking facilities or kitchen either in the main parts or in the drawings attached; there was no express prohibition of use of hot plate or microwave or similar cooking facilities;

11.4 Mr Ahmad's evidence had not been foreshadowed in any witness statement or skeleton argument and was not supported by any other evidence contemporary to the grant of the Lease or which might have been relevant to the factual matrix at the date of the grant of the Lease;

11.5. Clause 5.2 of the contract (annexed to the Applicant's supplemental skeleton argument) provided that if the Applicant did not request that the Rental Agreement (with BH) was entered into, or if it was later terminated, the Applicant was entitled to utilise the Property as he saw fit in accordance with the terms of the Lease.

12. The Tribunal concludes the property falls within the definition of a "dwelling" in section 38 of the 1985 Act which includes all buildings, or parts of buildings, which were occupied or intended to be occupied as a separate dwelling, even though it was also used for the purposes of a hotel accommodation on a temporary basis which would not ordinarily include cooking facilities.

13. The Property was intended to be occupied as a separate dwelling. The Applicant was not required under the Lease or otherwise to share living accommodation with anyone else at Ifield Hotel: see *Cloisters Business Centre v Anvari* [2026] 2 WLR at 1064. Accordingly, the Tribunal finds it has jurisdiction to determine reasonableness and payability of service charges in this application under section 27A of the 1985 Act.

Preliminary issues to payability of services charges

14. The Tribunal turns to consider issues raised by the Applicant about authority of DF and others to demand service charges and compliance with statutory restrictions upon demands and payability of service charges.

Compliance with sections 47 and 48 of the Landlord and Tenant Act 1987

15. The Applicant says notices or addresses under sections 47 and 48 of the 1987 Act were not provided. In particular, for the period between the 15 March 2021 and 9 November 2021, the Applicant says he was not provided with a "legally effective notice or demand containing a clear and verifiable landlord identity and address-for-service position": paragraph 5.6A of his Statement of Case.

16. In relevant respects section 47(1) of the 1987 Act requires that service charge demands must contain (a) the name and address of the landlord, and (b) if that address is not in England and Wales, an address in England and Wales at which notices (including notices in proceedings) can be served on the landlord by the tenant. Section 48 of the 1987 Act requires a landlord to furnish the tenant with an address in England and Wales at which notices (including notices in proceedings) may be served on him by the tenant.

17. The effect of non-compliance with either of these provisions is suspensory. In other words, if there is non-compliance, once they are complied with, the sums claimed as service charges become due and payable. The Applicant refers to a letter sent giving details of the name and address of the Respondent as landlord by DF on behalf of the Respondent dated 9th November 2021 at page [269] of the bundle. The Applicant's challenge does not dispute the accuracy or validity of that notice, only that the information provided was not provided earlier. The omission to provide such notices earlier or to explicitly say that section 48 referred to an address for service of proceedings in that letter does not in the circumstances of this case, mean that any failure to comply prevents service charge from being recoverable for the period before 9th November 2021. That letter was not a demand for service charges to which section 47 applied.

18. Any non-compliance rendering sums non-payable for the period before 9th November 2021 was "cured" by notices complying with sections 47 and 48 of the 1987 Act in service charge invoices dated 20 April 2021, 20 August 2021 and 24 March 2022 at pages [148-152].

19. The Applicant says the 9 November 2021 letter and other notices did not cure non-compliance, as they were not accompanied by "contemporaneous proof" of DF's authority to act for the Respondent. The Applicant has not been able to substantiate his belief that DF did not have the requisite authority. There is no bar to notices under sections 47 and 48 of the 1987 Act being served by an agent on behalf of a landlord. There is no requirement to show evidence of authority for those notices to be valid.

20. The Applicant complains that the 9 November 2021 letter referred to the Respondent's address as Kemp House, 160 City Road, London whereas the section 146 forfeiture-related notice used 128 City Road London at

page [284]. The reference to a different address in a notice before forfeiture under Section 146 of the Law of Property Act 1925 does not by itself mean that the earlier notices showing different addresses were invalid.

Arrears of service charge falling due prior to assignment of reversion to Respondent

21. The Applicant required the Respondent to establish the legal basis on which these sums owing to the previous landlord prior to the assignment to the Respondent were assigned, transferred, authorised, or otherwise recoverable from him. The Applicant does not challenge the fact of assignment or its validity. For leases granted after 1996 such as the Lease, section 3 the Landlord and Tenant (Covenants) 1995 Act provides that the benefit of all tenant covenants of a tenancy (including those relating to service charges) are annexed to the reversion and pass on an assignment of the reversion to the new landlord. Neither party produced a copy of the land register of the freehold or of the Respondent's interest, so the precise date of the registration of the Respondent's interest is unknown. The Tribunal is satisfied that the Respondent has title to claim such service charges as it may prove are due payable before the date of the assignment to the Respondent in the light of section 3 of the 1995 Act.

The Tribunal's jurisdiction and powers

22. The Tribunal's role is governed by sections 27A and 19 of the 1985 Act. In very broad terms these provisions require the Tribunal to decide several questions. Firstly, whether a particular service charge cost is authorised by the terms of the Lease. Secondly where a service charge cost has been incurred or paid, whether that cost was reasonably incurred. Thirdly the Tribunal can decide whether works or services charged to service charge have been provided to a reasonable standard. There are separate statutory requirements for consultation for certain types of "qualifying" works that are charged to service charge which lead to each leaseholder being charged £250.00 or more for particular works, which if not complied with, limit the cost of those works or services recoverable as service charge. They were not relevant in this case.

23. These statutory provisions have been considered by higher Tribunals and Courts. Guidance has been provided in case law, which this Tribunal is required to follow, where relevant. Initially, where works have been carried out or services provided, and charged as service charge the Tribunal is required to consider whether the landlord's decision to do so was objectively rational taking into account the interest of the leaseholders who would be paying for the works or services.

24. There is a different statutory regime, where the Tribunal is asked to consider the reasonableness of service charge costs invoiced in advance of the services and works being carried out. This sometimes arises in the context of a budget for estimated service charges to be paid for the following service charge year or years. The Tribunal is required to consider

whether the sums asked to be paid in advance are authorised by the lease, and then to consider whether the amounts demanded in advance are reasonable. The Tribunal is required to take into account all relevant circumstances as they existed at the date of the hearing, giving such weight to the various factors as it considers just and reasonable. That said, the Tribunal will not usually substitute its views for estimated service charges unless there is particular reason for believing that the amount requested in advance is not reasonable.

25. It has recently been confirmed where a landlord claims payments of service charges it will not, unless issue is taken, have to justify each and every element of the service charge claimed. The landlord is only required to prove those particular elements of the cost claimed as service charge were reasonably incurred or incurred to a reasonable standard if the tenant is able to establish a "prima facie" case about those issues. The Tribunal's task is primarily to declare the amount payable as service charge. The test of whether costs had been "reasonably incurred" is not simply a question of process: it also requires consideration of the outcome of a landlord's decisions - *Waaler v Hounslow LBC* [2017] 1 W.L.R. 281.,

26. The Tribunal does not have jurisdiction to determine the payability or other challenges to ground rents or other rents demanded on behalf of the landlord. Nor does the Tribunal have power to consider the relationship between the Applicant and BH or between the Applicant and SC.

27. The above summary is intended as a general outline for those who may read this decision who may not be familiar with legal concepts or terminology.

Structure of these reasons

28. In these Reasons where narrative, facts or descriptions are recited, they should be treated as the Tribunal's findings of fact unless stated otherwise. These reasons address in summary form the key issues which the Tribunal considers it necessary to determine consistently with the overriding objective. The omission to mention a particular argument or question canvassed should not be taken as an acknowledgement it was not considered.

Inspection of the premises.

29. Neither party requested the Tribunal to visit or inspect the premises. Inspection was not necessary to determine the case fairly and justly.

Introduction to issues

30. The Applicant's skeleton argument of 28th June 2026 characterised the challenges to the service charge years 2019-2025 as follows:

> "The Applicant's case is that only lawful, properly incurred, properly allocated and verifiable service charges are payable. The

> issue before the Tribunal is therefore not whether the Applicant should contribute something in the abstract, but whether the Respondent has proved the particular sums demanded as payable under the Lease and under section 27A of the [1985 Act" and
>
> "...the Respondent relies on unsupported assertions rather than proof. It asserts or implies that the relevant operating arrangements, including the role of LH and/or SC, can justify the service charge demands. However, it has not proved the legal route by which LH's hotel operating costs became service charges payable by [the Property". Nor has it proved why SC is relevant to the service charge account at all."

The Respondent's Further Submissions and Evidence of 23rd July 2026 provided some clarification of the sums claimed as service charges. In response, the Applicant confirmed his case was that "The Respondent must.... identify the Lease provision authorising that [costs] package and explain what costs it contained, how hotel-operating costs were removed, and how the remaining costs produced the sums demanded from "the Property".

Basis for service charge demands

31. The service charge demands are found at pages [146- 159]. The Respondent's Further Submissions and Evidence dated 23rd July 2026 (paragraphs 7-9) asserted:

> "There are two periods with different administrative arrangements, although the contractual foundation (the Lease) is the same throughout.
>
> "2019 - 2020. Service charge expenditure for the building was accounted for under the heads shown in the certificates and accounts at Hearing Bundle ("HB") pp. 146–166, which were taken over from the previous accounts department when the Respondent acquired the freehold. Unit 105 was charged an equal per-unit share of that expenditure of 2.174% (one forty-sixth, there being 46 chargeable units at that time). The demands for these years were issued on 20 April 2021 by DF on behalf of the Respondent following the acquisition (section 3 notice dated 17 March 2021, HB p. 180), on the basis of the accounts so taken over.
>
> 2021- 2025. From 19 April 2021 the day-to-day services were delivered through Large Hospitality Ltd ("LH") under the Agreement for Common-Area Services & Cost Recovery between LH and Donald Fletcher Ltd ("DF") dated 19 April 2021 (HB pp. 140–145) ("the DF/LH Agreement"). That agreement provides machinery for identifying service-chargeable costs (Schedule 1), and a fallback fixed 20% Common-Area Share formula for costs which include both in-room and common-area components and

cannot be separated (clause 4.1 and the note to Schedule 1). In practice, as the ledgers at FS2 demonstrate, the costs entering the service charge account were identified and separated at source: only the building and common-service costs in the Schedule 1 categories were booked to the service charge ledger, and they were booked at their actual invoiced or payroll cost. The 20% fallback formula therefore did not need to be applied.

From the 2021 final account onwards, Unit 105's proportion of the service-chargeable expenditure has been 2.128% — an equal one forty-seventh share, there being 47 leaseholders. In every certified year the sum charged to Unit 105 is exactly 1/47th of the total shown in the corresponding account (Table 1). The Lease defines the Service Charge apportionment as "a fair and reasonable proportion"; an equal per-unit apportionment across substantially similar hotel-style units is an orthodox, fair and reasonable method, applied consistently in every year"

32. The Respondent asked the Tribunal to accept the following account of how service charge and hotel costs were calculated for the period 2021 onwards in paragraph 1 of Further Evidence and Submissions:

> "monthly expenditure ledgers maintained for the building for 2021, 2022, 2023 and 2024 are exhibited at FS2. They record, month by month and head by head, the costs incurred for the building ("Expenses from Large Hospitality" and, where applicable, "Expenses from Donald Fletcher"). The ledgers were maintained by LH's head-office accounts function — the bookkeeping, payroll administration and record-keeping service which the "Head Office Salaries" and "HO Invoice" recharges pay for — under the supervision and control of DF as managing agent, in accordance with clauses 3.2 and 7 of the DF/LH Agreement (which require monthly and year-end expenditure reporting by LH to DF). The certified year-end accounts were prepared from the ledgers by Nationwide Accountants & Tax Advisors Ltd."

33. For the period 2019 – 2020, the Respondent was unable to produce any records from the "previous accounts department", but invited the Tribunal to take the figures in the accounts for those years at [162-167] as the best evidence available. The Respondent did not produce any evidence from a witness with first-hand knowledge of costs incurred or allocation of costs from an accountant or any similar person for any of the service charge years. The witness statement of Rashid Chaudry of 23rd July 2026 about these costs did not clearly assert which of the facts set out were within his knowledge or which were derived from records. The Tribunal is unwilling to assume that he had the relevant first-hand knowledge. None of the primary accounting records such as invoices or receipts were produced in the Hearing Bundle, although the Respondent's Further submissions and evidence of 23rd July 2026 did refer to some primary invoices in paragraph 15.

34. As set out above, initially the Applicant did not provide a specific challenge to the apportionment of costs on the basis of one forty sixth or one forty seventh, between rooms, but challenged the allocation of hotel operating costs to service charge. Nor did he challenge the incurring of specific costs, only their allocation. At the hearing on 6th July 2026, it became clear his challenge was wider and his written submissions artificially generated did not capture his real complaints. In his Response of 10th August 2026, the Applicant adopted in part the structure suggested in the Tribunal's directions of 8th July 2026. Translated into the language of the Seventh Schedule to the Lease, the substance of his real challenge was that the final account documents provided by the Respondent and DF (which were all unsigned and undated) did not provide an accurate account of apportionment of costs to the Property. This challenge was highlighted by the late production of what purported to be final accounts for the 2024 service charge year after the hearing bundle had been produced without any signature or date and which appeared to have been produced without reference to the underlying invoices according to paragraph 44 of the Respondent's further submissions.

Electricity and communal gas costs charged to service charge

35. The Respondent's Further Evidence at paragraphs 14-16 addressed this issue as follows:

> "14. The building is not served by mains piped gas. Gas for the heating system is supplied by on-site tanks refilled by tanker (the Flogas invoices within the Direction 24 disclosure); this is inherently more expensive and operationally demanding than a domestic piped supply. Electricity under the relevant head is the building's communal supply. The supplies serve the building as a whole and are not separately metered as between individual rooms and common areas.
> 15. The answer to the Tribunal's question is 100%: the electricity and gas costs recorded in the service charge accounts were charged at 100% of the actual invoiced cost of those supplies, and each leaseholder bears a 1/47th share. This confirms the evidence Mr Ahmad gave at the hearing. The documentary confirmation which the Tribunal noted was absent is provided by the FS2 ledgers: the monthly electricity entries (approximately £800–£2,400 per month) and the seasonal gas delivery entries sum exactly to the figures in each certified account (2021: £12,220.25 and £21,197.23; 2022: £14,415.14 and £22,680.62; 2023: £21,233.70 and £34,158.95; 2024: £17,429.01 and £38,047.39). The monthly gas entries correspond to the Flogas delivery invoices in the disclosure.
> 16. Recovery of these costs on that basis is expressly within the Lease. Schedule 7 Part 2(a)(ii) permits recovery of the costs of "the supply and removal of electricity, gas, water, sewage and other utilities to and from the Retained Parts and if appropriate the Property" — the Property being the leaseholder's own unit." .....
> 17. The sums are also reasonable for a building of this size and character: tank-supplied gas serving a communal heating system in

an older building, and continuous communal electricity for lighting, plant, fire-safety and security systems, across the post-Covid period of exceptional energy price inflation.
18. As to the labelling in the 2021 account and ledger ("Electricity for rooms" / "Gas for rooms") as against the 2022–2024 documents ("Electricity For Communal" / "Gas For Communal"): these entries relate to the same building supplies under the same arrangements "

36. The Applicant's response of 10th August 2026 on this issue at paragraphs 29- 31, is as follows:

> "The ledgers show what was entered, but they do not demonstrate the allocation between hotel operation, paying guests, common parts and the demised rooms.
> 30.The absence of separate meters does not prove that 100% of the whole-building supply is chargeable to the leaseholders. It means that a fair allocation must be shown between demised rooms, common parts and hotel-operating use. The Respondent has produced no consumption study, occupancy data, room-night analysis, equipment schedule or other evidence showing that allocation.
> 31.The monthly entries in FS2 may record sums. They do not establish the service recipient, the contractual payer, the proportion attributable to hotel guests, or the fairness of charging Unit 105 an equal share."

37. The Tribunal bears in mind that the Applicant as leaseholder (or his nominated occupier) is granted the right to use the gym, lounges, toilets and common parts. The Applicant has not established that dividing gas and electricity costs equally by the number of rooms was not a fair and reasonable apportionment of the service charge costs required by clause 1.1 of the Lease. The operation of the Hotel serviced rooms business from the Ifield Hotel is the context for that decision. The Applicant has not shown that any omission to obtain and consider consumption study, occupancy data, room-night analysis, equipment schedule or other evidence renders *this allocation* unreasonable in the sense that a landlord acted reasonably could not adopt this means of apportionment.

38. The Applicant criticises the description of service charge in paragraph 3 of the witness statement of Mr Chaudry of DF of 23rd July 2026 for stating that the service charge "is not a contribution towards common parts" but an "all-inclusive package" covering "every outgoing of the unit itself". This does not affect the validity of the apportionment of these costs.

39. As a cross check to the Tribunal's finding about the reasonableness of the method of apportionment, it has considered the charges for gas and electricity for the property given in the available service charge accounts for 2019-2023. Doing the best it can on the limited evidence available, the Tribunal does not find that those gas and electricity costs were outside the brackets of those which might be reasonably expected.

Apportionment of other heads of costs and which heads of cost were common area shared costs under the DF/LH agreement in 2021-2025

40. The Respondent's Further Evidence and Submissions in paragraphs 19-20 say as follows about this:

> "The building and common-service costs were identified and separated at source, booked to the service charge ledger at their actual cost, and charged at 100%, with each leaseholder bearing 1/47th.
>
> 20. Accordingly, in the service charge years 2021–2025 no head of cost was in fact a "common area shared cost" charged as 20% of Total Service-Chargeable Expenditure under the agreement dated 19 April 2021. The 20% CAS mechanism in that agreement is the contractual fallback for costs incapable of separation (Schedule 1, note); it was not needed, because LH's bookkeeping separated the service-charge costs from the hotel's trading costs at source."

41. The Applicant says in the relevant parts of paragraphs 32-37 of his Response on 10 August 2026:

> "32 At the hearing, Mr Ahmad said that 20% was the proportion applied to the other heads of cost, although the Tribunal recorded that this was not reflected in the Respondent's documents. The RFS now answers that no percentage slicing was applied to any head and that every selected head was charged at 100% (RFS p.7, paragraph 19). The present answer is therefore directly different from the answer recorded at the hearing.
>
> 33. The Respondent's interpretation also leaves the DF/LH Agreement's central allocation machinery without practical purpose. If all chargeable costs had already been separated at source and 100% of every selected head was recoverable from the leaseholders, there was no need to define TSCE, fix CAS at 20%, treat that share as common-area consumption, require a signed variation, or calculate DF's fee by reference to CAS. Excluding obvious LH hotel expenses such as food, marketing and booking commissions does not prove that the remaining mixed heads were correctly allocated. The Respondent cannot rely on the Agreement as the contractual and accounting basis for the recharges and management fee while replacing its central allocation method with an unwritten method whose authority and operation have not been proved ……..
>
> 35. The assertion that LH's bookkeeping separated such costs at source is not demonstrated by the resulting ledger. To prove separation, the Respondent needed to show the pool from which costs were separated, the criteria used, and the records of the separation exercise. None has been produced.

> 36. The argument that the wage figure is "self-evidently" too small to be hotel payroll is not evidence of which employees were included, their work, hours, employer or deployment. A smaller number can still contain mixed or wrongly allocated costs.
>
> 37. The Respondent's own explanation that housekeeping and servicing of rooms supports the rental income (RFS p.7, paragraph 21) confirms that these are at least partly hotel-operating activities. It does not prove that they are common-area services, or that 100% is recoverable from the leaseholders."

42. This part of the Applicant's response raises different issues. For the purposes of his application only, the Tribunal is prepared to accept that a method of apportionment adopted by the Respondent which excludes hotel operating costs from service charge costs has not been shown to be unreasonable. The gist of the Applicant's challenge is whether that method of apportionment was given effect to. This is best considered by reference to whether the Respondent has established that individual heads of costs were reasonably incurred.

Which heads of costs at the building were charged to the 47 leaseholders in the service charges years 2019 - 2021 in the service charge documents at pages 149-152 and 160-175.

43. In relation to these service charge years the Respondent's Further Evidence and Submissions at paragraph 25 said as follows:

> "The 2021 account [169] charged the heads listed in Table 2, totalling £135,555.97, of which Unit 105's 1/47th share was £2,884.17. As to the 2021 on-account demand: the sum demanded on 20 August 2021 was £3,459.15, which equates to 2.340% of the £147,800 budget rather than the correct 1/47th share of £3,144.68. The Respondent accepts that the on-account figure was overstated by £314.47 as a result of a calculation error in the apportionment used for that demand. The year-end account was drawn on the correct 1/47th basis, and a surplus of £260.51 was credited against the corrected budget figure of £3,144.68. The Respondent accepts that the further £314.47 should also be credited to the Applicant's account, and invites the Tribunal to determine the 2021 position accordingly. The 2021 FS2 ledger evidences every head month by month."

44. The Applicant's Response of August 2026 at paragraph 44 says:

> "The 2021 discrepancy is not confined to the admitted £314.47 overstatement. The original demand was £3,459.15; a correction to a 1/47 basis would produce £3,144.68; but the later actual account was £2,884.17 and recorded a further surplus of £260.51 (Bundle pp.170, 292 and 295). ....."

45. The Tribunal accepts the reasoning behind the Applicant's responses and its decision below reflects the adjustments required for the 2021 service charge years.

46. The Tribunal does not accept that the remainder of the criticisms made of the 2019 - 2020 service charge accounts in paragraph 39 of the Applicant's Response lead to the conclusion that the costs were not reasonably incurred or the apportionment was not fair or reasonable. Those criticisms were "The accountant's factual-findings reports do not establish that every annual amount was supported, that every cost fell within the Lease, that the service was provided to Unit 105, or that the apportionment was fair. A report that selected entries were matched to records is not a determination of contractual recoverability".

47. As the Respondent now accepts, for the year ended 2021 service charge year, the sum payable was £3144.68 (not £3,459.15) assuming no other adjustments are made. This also means that the recorded deficit of £2584.25 in the 2022 accounts was overstated and should be reduced by £314.47.

The basis of calculation and justification of management fee, (whether including or excluding VAT), Salaries, national insurance, employers and employees pension contributions, which varies considerably in the various accounts for the service charge years 2019 2021, 2022 and 2023.

48. The Respondent refers to Schedule 7 Part 2(c) of the Lease permitting recovery of "the costs of the salaries and employer costs (including pension, welfare and insurance contributions)… of security cleaning and maintenance staff for the Building", and Part 1(m) for the provision of staff among the services to authorise Salaries, NI and pension.

49. For 2019–2021 the Respondent's Further Submission and Evidence (paragraph 31) asserted management fees (£32,601.57; £12,255.60; £32,000 budgeted) "reflect the position taken over from the previous accounts department on the freehold acquisition; no predecessor management agreement is held. The Respondent notes that from 2022 the standardised formula has produced a materially lower fee percentage (9.09%) than the 23.21% recorded for 2019, to the leaseholders advantage."

50. The Respondent says "From 2021 the accounts disaggregate gross wages, employers' NI, employers' pension and head office salaries, and the FS2 ledgers show the monthly payroll cost behind each figure. The change is presentational: the later format is more transparent, not evidence of inconsistency.

> "28. The basis of the staffing figures is the 24-hour cover requirement. The building requires management, security, fire-safety and emergency cover 24 hours a day. LH's hotel operations staff man the building for approximately 10 hours per day; under

clause 3.3 of the DF/LH Agreement, DF must keep at least one person at the property to manage services, security, utilities, plant and compliance during the remaining hours. The wages booked to the service charge ledger are the cost of providing that cover for the remaining approximately 14 hours per day — the dedicated building-management staffing cost, not the hotel's payroll.

29. That is consistent with the scale of the figures: 14 hours per day across a full year is 5,110 hours of cover, and at the National Living Wage rates prevailing in each year (with employer NI and pension) the annual ledger figures correspond to approximately one post of continuous cover, with additional hours in 2023 as shown in the monthly payroll entries in FS2. Where the budgeted provision exceeded the actual cost — most notably 2024, where £ 119,500 was budgeted for extended two-post cover but the actual cost was £ 43,351.27 — the difference flowed into the year-end surplus credited to the leaseholders (Unit 105's 2024 surplus: £ 1,171.34)"

51. The Applicant comments in Response (paragraph 46) in August 2026:

> "….neither the Lease, the DF/LH Agreement nor any other agreement produced to the Tribunal provides for that division or authorises costs to be calculated and charged to the leaseholders on that basis. No staffing agreement, appointment, service contract, written instruction, contemporaneous decision, rota, timesheet, payroll allocation or other record shows that such an arrangement was agreed, adopted, operated or paid for during the relevant years. The Respondent has proved neither the contractual basis for the alleged formula nor any evidence that the arrangement existed and was used to produce the sums entered in the service-charge accounts. "

52. The Applicant draws attention to apparent inconsistencies between that account and that given in the Respondent's opening skeleton argument. In paragraph 49 of the Response the Applicant asserts

> "The materials already before the Tribunal also included hotel responses stating that there was no "24/h Reception" or "24/7 front desk" and that reception operated only until 11:00 pm. They also included guest reports of no night-time availability and unanswered calls (Bundle pp.81-82, paragraphs 19B-19D; Exhibit A, pp.356-386; Skeleton p.18, paragraphs 67-67A). Those materials do not rule out every form of emergency response. However, they materially weaken the new claim that ten hours of hotel staffing were followed by fourteen hours of continuous on-site cover funded by the service charge"

53. The Tribunal noted the adverse reviews of the hotel at pages [357-386] which were canvassed at the hearing on 6th July 2026. Mr Ahmad's response to this is that although the reception was not available for 24

hours a staff member had to be on site. The Tribunal does not accept the Applicant's contention that these reviews mainly limited to 2023 -2025 undermine the cost incurred for 24 hour staff coverage. However the Respondent did not produce any evidence from DF or the individuals who had a direct role in compiling the service charge account, any evidence about when they were delivered. Mr Chaudry did not profess to have any accounting or professional expertise and did not give evidence. The Respondent has failed to persuade the Tribunal that that those accounts represent an accurate or complete account of the service charge costs "reasonably and properly incurred" for the purpose of part 2 of Schedule 7 of the Lease. This is best illustrated by individual heads of cost charged.

Management fee findings

54. The figures charged for management fees for 2019 and 2020 (£ 32,601.57; £ 12,255.60 respectively) were not justified by reference to a management agreement or any invoices. Assuming 46 units, that equates to £708.72 and £266.42 per unit. It is possible that the 2019 figure was an accrual, or the result of exceptional costs but this has not been suggested or evidenced. Similarly, the budgeted figure for management fee for 2021 was £32,000, although this head of costs was not reflected in the annual accounts. Taking 47 units, this equates to £680.85 per unit. No evidence was adduced by the Respondent to justify the high figures for management fees in 2019 and 2021. The Tribunal finds that the sum reasonably incurred for management fees (or the equivalent services) for each of the 2019 2020 and 2021 service charge years was £266.43 per unit. In each of those years the amount payable (or other heads of cost for the equivalent work in the accounts) is reduced to £266.42 for the Property.

55. The Respondent asserts that DF performed a separate management role for which it claims fees under clause 9.1 of the LH agreement: see paragraph 43 of the Further Submissions dated 23rd July 2026 at page R[12]. For 2022 onwards the Respondent's management agreement for the appointment of DF in 2021 requires DF to adhere to the RICS Service Charge Management Code ("the Code"): see paragraph 4b [124]. The Respondent says in paragraph 30 of its submissions (July 2026):

> "From the 2022 year onwards the fee was standardised under clause 9.1 of the DF/LH Agreement at 10% of the service-chargeable costs. Arithmetically, a fee equal to 10% of the other service-chargeable expenditure appears as 9.09% (one eleventh) of the total inclusive figure — which is precisely what the 2022, 2023, 2024 and 2025 budget certificates show (9.09% in each year: £10,873.50; £11,990.85; £24,107.00; £27,960.00). The fee tracks the certified expenditure by a fixed contractual formula; it is not discretionary. The Tribunal may further note that the certified actual accounts for 2021, 2022 and 2023 contain no management fee head at all: the fee was included in the budgeted on-account demands only, and no fee was charged through the actual-based

> reconciliations for those years. There has been no double recovery; DF's fee does not appear in, and is not paid out of, the LH expenditure ledger, which is why the ledgers show no payments to DF."

56. The Respondent's case is that despite the budget certificate charging for managing agent's fees, no such fees were included within the final accounts. The explanation is that the "clerical and accounting labour performed within LH's head office function" – paragraph 42 of the Further Submissions. The Tribunal finds that the services said to have been provided by LH were to a large degree services that would ordinarily have been provided by DF as managing agent. At best, the budget certificates were unclear. The discrepancy between those certificates and the service charge accounts is not simply an accounting issue. It means the Tribunal cannot be satisfied the accounts represent an accurate picture of the apportionment. Mr Ahmad's evidence at the hearing on 6th July 2026, later corrected by Mr Chaudry reinforces the Tribunal's impression that these accounts were not to be relied upon.

57. Whether the services were provided by LH or DH, the Code (3rd edition 2016) paragraph 3.3 dealing with "Fees and charges" provides as follows:

> "Your charges must be reasonable for the task involved and be pre-agreed with the client whenever possible. Where there is a service charge, basic fees are usually quoted as a fixed fee rather than as a percentage of outgoings or income. This method is considered to be preferable so that leaseholders can budget for their annual expenditure. However, where the lease specifies a different form of charging, the method in the lease should be used by managing agents."

58. The absence of a separate category of management fees for 2022 onwards is referred to but not explained in paragraph 30 of the Further Evidence and Submissions as follows: "the fee was included in the budgeted on-account demands only, and no fee was charged through the actual-based reconciliations for those years". The budgeted management fees for the following years were as follows: 2022 £10,873.50; 2023 £11990.85; 2024 £24107.00, 2025 £27960: see budget certificates issued by DF at [153-159].

59. Paragraph 1 of the Respondent's Further Submissions and Evidence said:

> "monthly expenditure ledgers maintained for the building for 2021, 2022, 2023 and 2024 exhibited at FS2. recorded, month by month and head by head, the costs incurred for the building ("Expenses from Large Hospitality" and, where applicable, "Expenses from Donald Fletcher"). The ledgers were maintained by LH's head-office accounts function — the bookkeeping, payroll

administration and record-keeping service which the "Head Office Salaries" and "HO Invoice" recharges pay for".

The effect of this arrangement was to leave LH (it is said after reporting to DF) to decide which items were service charges and which were LH operating costs not to be allocated to service charge. Nationwide Accountants appear to have prepared service charge accounts based upon that information. It was not possible to extract from those ledgers any meaningful basis upon which LH's operating costs could systematically be separated from service charge costs payable under the Lease.

60. The Respondent did not demonstrate how the management fees included in the budget certificates at [153-157] and in accounting records at page 23 of its Further Submissions and Evidence were reflected in service charge annual accounts for 2022 and 2023 (the accounts for 2025 and 2026 not being available). If paragraph 1 of the Respondent's Further Submissions and Evidence is accurate, the explanation probably lies in the terms of the LH agreement with DF disclosed recently for the purposes of this application. Assuming DF is a separate commercial operation from LH, the effect of this presentation of accounts is to subsume DF's management fees within the operating costs of LH within the annual account. This makes it almost impossible to identify the actual cost of DF's services.

61. The budget certificates for 2022, 2023, 2024 and 2025 reflect DF's management fees and for some of these years appear to have been calculated as a percentage of the total service charge expenditure for a previous service charge year. This is the pattern recorded in the workbook attached to the Respondent's Further submission and evidence paragraph 30. Paragraph 30 of the Statement of Case of 23rd July 2026 says this percentage is 10% which equates to 9.09% of other expenditure. The management fee of £24,107 for 2024 is almost exactly 10% of total service charge expenditure recorded in the 2022 annual accounts of £241,068. The management fee of £27960 in the budget certificate for 2025 is very close to 10% of £27540 total service charge expenditure recorded in the 2023 annual accounts. The management fee in the 2026 budget certificate produced by the Applicant in his Response is £30,000.00. The 2025 accounts have not been produced for comparison.

62. The inference from the omission to include management fees in the service charge accounts is that those costs were included in other categories of costs such as "Head Office Salaries" and "HO Invoice" or "gross wages and sub-contractors" in the final accounts. Accordingly, a deduction is made from these heads of cost in each service charge year from 2022 to reflect the Tribunal finding that management fees had been unreasonably incurred by reference to percentage charge.

63. The Respondent has not justified why it was reasonable or appropriate to charge on account demands or balancing service charge as a flat percentage of "other expenditure". One outcome of this process is to

increase costs to leaseholders by amounts which do not reflect the value of services of the manager.

64. The Tribunal takes the management fee of £11990.85 in the budget certificate for 2023 as a baseline figure for the following years. This equates to £255.12 for each of the 47 leasehold rooms. The Tribunal allows £300.00 per unit to take account of the arbitrary operation of the percentage. Adding 5% per annum for inflation and other increases in costs each year produces the following figures: 2024 £315.00, 2025 £330.75, 2026 £350.00 (rounded up from £347.28) for the property. In each of those years the amount payable for the equivalent of management services on account of cost incurred (or other heads of cost for the same work) is reduced to those figures for the Property.

65. There are other reasons for concluding that the management fee charged by DF for each of the years in issue in unreasonably incurred. Firstly, the confusing and unclear presentation of the budget certificates when compared with the annual service charge accounts. Paragraph 7.3. of the Code provides the "budget should have sufficient detail to enable leaseholders to understand the nature of the charges being levied and the rationale behind the level of estimated expenditure. To allow comparison between years, there should be a standard format for presentation to leaseholders". The inability of the Tribunal and the Applicant to understand the discrepancy between the service charge accounts and the budget cost headings and the basis of charge for management fees until explained by DF in July 2026, is not consistent with this part of the Code. Ultimately this was the responsibility of DF as agent for the Respondent. Secondly the 2021 accounting error acknowledged in paragraph 25 of the Further Submissions, reflected the fact that DF's role in supervising the LH accounts and preparing service charge demands was below the standard which could reasonably be expected.

The justification or basis for crediting (or allegedly crediting) payments from Stow Capital to service charge account without authority from the Applicant.

66. This issue is not within the scope of the Tribunal's jurisdiction under section 27A of the 1985 Act.

The basis of calculation and justification of internet charges and business rates, sub-contractors and HO invoice (said to be "head office invoice") in service charge accounts for years ending 2021, 2022 and 2023.

67. The Applicant raised the issue of apportioning costs between the Hotel and Leaseholders at an early stage in this case: see for example 09 06 2026 paragraph 6B [76] where he says as follows:

> "6B. The Applicant does not dispute that the lease is the starting point for any service-charge recovery. However, the lease is not self-proving. A clause permitting recovery of a category of cost does not prove that a particular item now demanded falls within

> that category. Likewise, a clause permitting the landlord to determine a "reasonable percentage" does not mean that any percentage subjectively adopted by the landlord, DF or LH is reasonable. The word "reasonable" requires an objective basis, evidence, and a method capable of being tested. The Respondent must therefore prove not only that the lease contains charging machinery, but that the particular sums demanded from Unit 105 were brought within that machinery by a lawful, reasonable and verifiable process"

and paragraph 29 on page [83] where the Applicant said:

> "The Applicant's issue is not merely that LH existed. The issue is whether the Respondent has proved which LH generated or LH-routed costs were recoverable service charge costs, as distinct from hotel trading costs"

Internet costs

68. The Respondent provides an explanation of internet charges for service charge years 2021-2024 inclusive in paragraph 40 of the Further Submissions. This acknowledges that the entire cost of the internet contract (including VAT on the basic charge from the supplier) is charged to the 47 leaseholders. The Respondent does not seek to justify that allocation to the leaseholders by reference to what is fair and reasonable. This is challenged in paragraph 73 of the Applicant's Response of August 2026. The Respondent's position is that "LH/s bookkeeping separated the service charge cost from the hotel's trading costs at source": see paragraph 20 of the Further submissions and paragraph 4 of the witness statement of Rashid Chaudry of 23rd July 2026.

69. The Applicant's unchallenged evidence was LH is a separate commercial entity operating a Hotel and similar business from the Ifield Hotel: see clause 9.2 of the LH agreement at [142] which refers to a Hotel Operating Agreement not in evidence and the hearing bundle at [313-316]. The Tribunal concludes the Respondent has not made a decision that amounts to a rational determination of a fair and reasonable proportion of internet costs which should be borne by the leaseholders within the meaning of the term "service charge" in clause 1.1 of the Lease. Such a decision would at least take into account the benefit to LH of the internet connection for its Hotel or serviced rooms business, or whether there was minimal benefit. There is no evidence that the Respondent or DF made that decision, or any decision about this. Allocation of internet costs appears to have been left to LH's unidentified bookkeeping personnel. These costs are disallowed in their entirety, as the Respondent has not shown they are service charges which have been apportioned within clause 1.1 for the purposes of the sums demanded for the years 2019- 2025.

Business rates

71. Until the 2022 service charge year, no separate head of cost in service charge accounts was made for "business rates". A similar challenge is made by the Applicant to these costs. This challenge was raised in his statement of case dated 05 05 2026:

> "8.2.5A The same documents [produced by DF] also show no stable contemporaneous severance rule by which those categories were separated into recoverable and non-recoverable elements. The materials show changing taxonomies and changing expenditure labels across years, but they do not explain by what rule room-related, business-rates, head-office, legal, or Donald Fletcher-related expenditure was excluded, reduced, or apportioned before the Applicant's figure was asserted. That is not merely an absence of detail; it is an absence of method"

72. The Applicant also produced unchallenged evidence to show that LH was listed with the local authority as the sole business ratepayer for the Ifield Hotel. The Respondent was given the opportunity to explain this allocation by directions of 8th July 2026 and provided the following explanation at paragraph 41 page 2 of the Further Submissions:

> "Business rates (2022: £41,109.57; 2023: £13,487.05). The building is in commercial serviced accommodation use and is assessed for non-domestic rates rather than council tax. Schedule 7 Part 2(d) of the Lease expressly includes "all rates, taxes, impositions and outgoings" payable in respect of the Retained Parts. The FS2 ledgers show that the sums charged are the statutory instalments actually levied by the billing authority and paid in each year (2022: monthly instalments of £3,413 with additional payments of £1,940 in January and £8,248.57 in February; 2023: instalments reducing to £406 per month from May 2023). The charge is therefore an involuntary statutory outgoing, passed through at cost. "

73. The Applicant makes the following points in his Response dated August 2026. Schedule 7 paragraph 2(d) of the Lease allows recovery of rates and other outgoings payable in respect of *the Retained Parts*. The Respondent has not produced the business-rates demands or rating assessment showing which parts of the Building were assessed or who was legally liable to pay them. "Retained Parts" are defined in clause 1.1. to exclude the Property and other units capable of being separately let as defined elsewhere in clause 1.1. There is no evidence that the Respondent or DF made any decision about a fair or reasonable proportion of business rates to be charged to the Leaseholders, or any decision about this. Allocation of business rates costs appears to have been left to LH's unidentified bookkeeping personnel. The significance of making this decision is thrown into relief by the large variation in business rates charged to leaseholders between 2021 and 2023. The annual service charge accounts contain a paragraph asserting that the managing agents prepared the annual

statement of service costs, but there is no signature or name identifying the agents and that paragraph is at variation with the evidence that the separation of LH and leaseholder's costs was effected by LH bookkeeping personnel.

74. These costs are disallowed in their entirety as the Respondent has not shown they are service charges which have been apportioned within clause 1.1 of the Lease for the purposes of the sums demanded for the years 2022, 2023, 2024 and on account prospectively for 2025.

Costs of sub-contractors and HO invoice (said to be "head office invoice/Head office salaries")

75. The Respondent says "HO invoice / Head Office Salaries" were costs of "the central administrative function which serviced the building: bookkeeping, payroll administration, records and compliance administration, including the maintenance of the FS2 ledgers .....charged at 100% of the monthly recharge and fall within Schedule 7 Part 2(b) of the Lease. They do not duplicate the management fee: the recharges pay for the clerical and accounting labour performed within LH's head-office function, whereas the clause 9.1 fee remunerates DF's distinct agency role of oversight, budgeting, demands, collection and reconciliation — and, as noted at paragraph 30, no DF fee was charged at all through the 2021–2023 actual account": paragraph 43 of the Respondent's Further submissions.

76. For the reasons given above in relation to management fees, the Tribunal does not find it in accordance with the Code for these fees to be charged at a percentage rate of other costs. However, on the balance of probabilities some of these services were provided. No alternative costs have been provided by the Applicant. The Tribunal is just by a small margin persuaded that these costs were reasonably incurred for the years 2021-2023. Where the service was not provided to a reasonable standard a deduction has been made. It does not follow these costs would be reasonably incurred. For the 2024 year as the service charge accounts were only produced after this application was started, is unsigned undated and is the subject of "invoice gaps" referred to in paragraph 40 of the Respondent's submissions, the Tribunal is not persuaded that these accounts or the undated and unsigned ledger in FS2 produced on 23rd July 2026 represent an accurate apportionment of Hotel costs and leaseholder costs particularly those described as "Head office salaries" for central administrative functions described in paragraph 43 of the Further Submissions. Doing the best it can to allow for this impenetrable and opaque category of costs, it disallows 50% of the £13766.25 reducing the proportion payable by the Applicant for this head of claim by £120.00

Other heads of costs – cleaning materials costs

77. The Applicant challenged the apportionment of these costs to leaseholders in a number of places in the hearing bundle. One example is at paragraph 7.11A on [48] as follows.

> "The Applicant's working analysis of the Respondent's disclosure served on or about 15 April 2026 indicates that, applying a conservative test, averaged across the years 2019– 2025, only approximately 13.5% of the annual service charge totals can be matched to third-party invoices which expressly identify, or can be clearly connected to, the Property [Unit 105]. The Applicant refers to that figure as an approximate average of the annual coverage percentages, not as a figure for each individual year and not as an admission that any matched invoice is recoverable as service charge. On the Applicant's case, even those invoices materially include operational, room-use, staffing, cleaning, utility, or mixed costs, rather than a clear body of recoverable service charges under the Lease"

78. The Respondent's evidence is that "LH/s bookkeeping separated the service charge cost from the hotel's trading costs at source": see paragraph 20 of the Respondent's Further submissions and paragraph 4 of the witness statement of Rashid Chaudry of 23rd July 2026. The cleaning product costs are of particular concern because of the wide variation in costs. In 2021, the first year in which there was a separate head of this cost to service charge the cleaning material costs were £1233.34, in 2022 they were £31,142.33, in 2023 £33626.65 and in 2024 no separate charge for these costs but "communal cleaning costs rose from £555.00 in 2022, £942.86 in 2023 and £5303.19 (2024). For the 2024 figure the Respondent accepts it has not been able to locate any invoices: see paragraph 44 of its Further submissions. There is no evidence that the Respondent or DF made any decision about a fair or reasonable proportion of these costs to be charged to the Leaseholders or any about this. Allocation of these costs appears to have been left to LH's unidentified bookkeeping personnel. The Tribunal has not been persuaded that the cleaning product costs for 2022 of £31,142.33, or £33626.65 for 2023 claims in the service charge accounts were reasonably or properly incurred for leaseholders for the purpose of paragraph 2 of part 2 of Schedule 7 to the Lease. It disallows the one forty seventh proportion claimed from the Applicant for these heads of cost in their entirety.

79. The Tribunal is conscious that the 2025 and 2026 service charge years are on account demands and have yet to be the subject of final accounting exercise.

Waterhall Country House

80. The determination on the papers of a differently constituted tribunal relating to a unit at Waterhall Country House in December 2025 is of no assistance to the Tribunal in deciding the issues in this application.

The Applicant's request for an order that none of the costs of these proceedings should be charged to service charge

81. The Tribunal's directions indicated this issue would be determined at the conclusion of the case. The Tribunal was not asked to determine whether there is provision in the Lease which enables legal costs or other costs of these proceedings to be charged to service charge. Therefore, it does not do so.

82. The Tribunal can only make an order under section 20C of the 1985 Act on behalf of those of who apply for such an order or who are specified in the application: see *Re SCMLLA (Freehold) Ltd* [2014] UKUT 58 (LC). Given the Applicant's success in significant aspects of this application, it is appropriate to make such an order in respect of his service charge costs. In view of the confusing and unclear way in which service charges have been calculated and demanded, the findings that sums claimed are not properly payable, the Respondent's delay in producing relevant documents and explanations it would not be just or equitable in view of the outcome that the Applicant should have to contribute to the legal and other costs of the Respondent contesting this application. The practical effect of this order does not necessarily mean that other leaseholders will have to bear the legal or management costs of this application.

83. It is also just and equitable to make an order extinguishing any litigation costs which the Applicant may have arising out of the costs of these proceedings under paragraph 5A of Schedule 11 to the 2002 Act for the same reasons.

Effect of this decision

84. Nothing in the reasons given above or the decision should be understood to restrict or prevent other leaseholders from making applications for similar orders under section 20C of the 1985 Act or paragraph 5A of Schedule 11 to the 2002 Act, should they wish to do so. Nor does this Decision impact upon, let alone determine, the questions or payability of sums demanded from other leaseholders. This is a decision based upon the limited evidence available to this Tribunal and the way in which the Applicant framed his criticisms. It is not a decision which can be considered as binding other leaseholders who were not party to this decision.

Reimbursement of application and hearing fees

85. This was a case *par excellence* where the parties in a continuing relationship had fallen into disagreement partly through difficulties in communicating with each other. Mediation is ideally suited to this kind of dispute. This was mentioned expressly in the case management directions

of 21 March 2026 but does not appear to have been acted upon by the Respondent.

86. The Respondent does not appear to have undertaken any steps to pursue alternative dispute resolution or to offer to bear the cost of determination of the legal issues despite clearly having access to professional advice in the preparation of this hearing. Such a resolution would clearly be in the interest of all leaseholders and the Respondent as managing agent.

Reimbursement of application and hearing fees

87. The Applicant has borne the burden of the Tribunal's fees for the application and the hearing and travel to the hearing. He has had significant success in this application. It is just and equitable that the Respondent reimburse him for the hearing and application fees amounting to £341.00 within 14 days of receipt of this Decision.

RIGHTS OF APPEAL

1. 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.

2. 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.

3. 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.

4. 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.