FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case reference	**:**	**LON/00BK/LSC/2026/0154**
Property	**:**	**Flats 9 and 10 Dudley Mansions, 17 Hanson Street, London, W1W 6TJ**
Applicant	**:**	**Dudley Mansions RTM Company Limited**
Representative	**:**	**Mr A Mynott (director)**
Respondent	**:**	**Hanson Street Properties Limited**
Type of application	**:**	**Section 27A of the Landlord and Tenant Act 1985 and s.103 of the Commonhold and Leasehold Reform Act 2002**
Tribunal member	**:**	**Mrs E Ratcliff MRICS**
Venue	**:**	**10 Alfred Place, London WC1E 7LR**
Date of decision	**:**	**2 November 2026**

DECISION

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Decisions of the Tribunal

(1) The Tribunal determines that, under section 103 of the Commonhold and Leasehold Reform Act 2002, the Respondent, as the "appropriate person" in respect of Flats 9 and 10 Dudley Mansions, 17 Hanson Street, London, W1W 6TJ is liable to pay to the Applicant the proportion of the shortfall attributable to those excluded units.

(2) The Tribunal determines, for the service charge year 1 January 2026 to 31 December 2026, that the Respondent's service charge liability is equivalent to 2/17th of the relevant costs.

Application

1. The Applicant's application, dated and received on 7 February 2026, seeks a determination pursuant to section 27A of the Landlord and Tenant Act 1985 ("the 1985 Act") as to the amount of service charges payable by the Respondent in respect of the service charge year 1 January 2026 to 31 December 2026.

2. The Applicant is Dudley Mansions RTM Company Limited. The Respondent is the Freeholder and Landlord under the long leases of Flats 1 to 8 and 11 to 17, Dudley Mansions, 17 Hanson Street, London, W1W 6TJ.

Background

3. The building, which is the subject of this application, is a purpose-built Victorian block of 17 one-bedroomed flats. Following renovations work, the current leases for Flats 1 to 8 and 11 to 17 commenced in 1981. Flats 9 and 10 were retained by the Freeholder and are not subject to long leases.

4. The Applicant, Dudley Mansions RTM Company Limited, acquired the right to manage Dudley Mansions on 9 January 2005. Since then, the Applicant has adopted an equal apportionment of service charges for all seventeen flats, and the Landlord has paid the charges relating to Flats 9 and 10.

5. On 1 January 2026, the Applicant issued a service charge demand to the Respondent for £1,762.94. This was made up of the half-yearly service charge of £699 per flat and a share of the cost of a new intercom system, £182.47 per flat. The demand was subsequently paid in April 2026.

6. The issue before the Tribunal is therefore limited to the appropriate apportionment for the 2026 service charge year.

Long leases

7. The long leases require the Landlord to provide services and the Tenants to contribute towards their costs by way of a variable service charge. Clause 10, which relates to apportionment of the costs, is as follows:

> "*10. To keep the Landlord indemnified against a proportionate part of all costs charges and expenses which the Landlord shall incur in or in connection with the management of the Block whether in carrying out the obligations set out in the Sixth Schedule hereto or in doing any other works or things for the improvement of the Block (including by way of example only the fees of the managing agent or agents (if any) from time to time appointed by the Landlord to manage the Block) such proportion to be calculated as a ratio of the rateable value of the Flat to the aggregate rateable value of all the flats and units comprised in the Block and until such time as all rateable values are determined or if in the reasonable opinion of the Landlord it shall be impractical impossible or undesirable to calculate such proportion on the basis of rateable values then and in any such event to be a proportionate part to be determined in the absolute discretion of the Landlord*"

The issues

8. The Applicant seeks a determination under section 27A of the 1985 Act for the payability and apportionment of service charges for 2026 in relation to Flats 9 and 10, which are retained by the Respondent Landlord.

9. By letter dated 3 August 2026, the Tribunal advised the parties of their preliminary view that "*it would appear that s.103 of the Commonhold and Leasehold Reform Act 2002 (the 2002 Act) provides the necessary framework for the apportionment calculations in this scenario"*. The parties were directed to provide any additional submissions relating to the provisions of the 2002 Act and the Tribunal's jurisdiction in this matter. The Applicant made a further submission; the Respondent did not.

The Law

10. Section 103 of the 2002 Act provides:

> *103 Landlord contributions to service charges*
>
> *(1) This section applies where—*
>
> *(a) the premises contain at least one flat or other unit not subject to a lease held by a qualifying tenant (an "excluded unit"),*

(b) the service charges payable under leases of flats contained in the premises which are so subject fall to be calculated as a proportion of the relevant costs, and

(c) the proportions of the relevant costs so payable, when aggregated, amount to less than the whole of the relevant costs.

(2) Where the premises contain only one excluded unit, the person who is the appropriate person in relation to the excluded unit must pay to the RTM company the difference between—

(a) the relevant costs, and

(b) the aggregate amount payable in respect of the relevant costs under leases of flats contained in the premises which are held by qualifying tenants.

(3) Where the premises contain more than one excluded unit, each person who is the appropriate person in relation to an excluded unit must pay to the RTM company the appropriate proportion of that difference.

(4) And the appropriate proportion in the case of each such person is the proportion of the internal floor area of all of the excluded units which is internal floor area of the excluded unit in relation to which he is the appropriate person.

(5) The appropriate person in relation to an excluded unit—

(a) if it is subject to a lease, is the landlord under the lease,

(b) if it is subject to more than one lease, is the immediate landlord under whichever of the leases is inferior to all the others, and

(c) if it is not subject to any lease, is the freeholder.

11. Section 27A of the 1985 Act provides:

"27A Liability to pay service charges: jurisdiction

(1) An application may be made to the appropriate tribunal for a determination whether a service charge is payable and, if it is, as to—

(a) the person by whom it is payable,

(b) the person to whom it is payable,

(c) the amount which is payable,

(d) the date at or by which it is payable, and

(e) the manner in which it is payable.

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

(3) An application may also be made to the appropriate tribunal for a determination whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any

specified description, a service charge would be payable for the costs and, if it would, as to—

(a) the person by whom it would be payable,

(b) the person to whom it would be payable,

(c) the amount which would be payable,

(d) the date at or by which it would be payable, and

(e) the manner in which it would be payable.

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

(a) has been agreed or admitted by the tenant,

(b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the tenant is a party,

(c) has been the subject of determination by a court, or

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

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

(6) An agreement by the tenant of a dwelling (other than a post-dispute arbitration agreement) is void in so far as it purports to provide for a determination—

(a) in a particular manner, or

(b) on particular evidence,

of any question which may be the subject of an application under subsection (1) or (3).

(7) The jurisdiction conferred on the appropriate tribunal in respect of any matter by virtue of this section is in addition to any jurisdiction of a court in respect of the matter."

Applicant's case

12. The Applicant agrees that section 103 of the 2002 Act is relevant to the apportionment of service charge liability for excluded units, namely flats not held by qualifying tenants, and that all three conditions under section 103(1) are satisfied.

13. The Applicant submits that the building is substantially uniform in character, that Flats 9 and 10 are materially similar in size to, and broadly comparable with, the other flats in the building, and that an equal-share basis has been applied and accepted by the Respondent for approximately twenty years. The Applicant further submits that equal apportionment is consistent with the effect of section 103, given the internal floor areas of Flats 9 and 10 do not materially differ from the

other flats in the building, and that such an approach is reasonable and proportionate.

14. The Applicant submits that the Tribunal has jurisdiction under section 27A of the 1985 Act to determine the appropriate basis of apportionment, notwithstanding the relevance of section 103 of the 2002 Act. In summary the Applicant contends that:

    (i) Jurisdiction is not displaced by section 103 as section 103 neither prevents the Tribunal from determining the correct basis of apportionment nor overrides the provisions of the lease;

    (ii) The lease fallback provision (clause 10) remains operative, as the lease provides that, where rateable values are unavailable, the relevant proportion is to be determined "*in the absolute discretion of the Landlord*". The Applicant submits that, upon acquiring the right to manage, it became responsible for exercising this discretion. The Tribunal is therefore entitled to determine whether the method adopted is reasonable and if necessary, to determine the appropriate basis of apportionment; and

    (iii) Section 27A and section 103 operate consistently, as clause 10 of the lease, the Applicant's statutory management functions as a right-to-manage company, the longstanding practice of apportionment on an equal-share basis, and the uniform nature of the building all align with the statutory function in section 103. Accordingly, there is no conflict between the two provisions, both which support a proportionate, reasonable and transparent method of apportionment.

15. The Applicant asks the Tribunal to determine that the Respondent's appropriate proportion of the relevant costs is two-seventeenths (2/17th).

Tribunal's determination and reasons

16. The application was determined on the papers. In its application, the Applicant indicated that they considered a paper determination appropriate. The Respondent has not participated in the proceedings.

17. The Tribunal has before it a bundle of 39 pages together with the Applicant's supplementary statement of 4 pages. The bundle does not contain a statement of case, witness statement or correspondence from the Respondent. Nor has the Tribunal received any correspondence from the Respondent in response to the Tribunal's further Directions. The Tribunal has therefore determined the application on the basis of the material before it.

18. Turning first to the relevance of the 2002 Act, Part 2, Chapter 1 makes provision for the acquisition and exercise of management functions by an RTM company. Section 103 addresses service charge contributions in respect of "excluded units". It applies where a building contains one or more flats that are not held by qualifying tenants and, as a result, the aggregate service charges payable under the qualifying leases is less than the relevant costs. In such circumstances, the "appropriate person" is required to contribute the resulting shortfall attributable to the excluded units.

19. In this case, having been retained by the Landlord, Flats 9 and 10 are both "excluded units" for the purposes of section 103. The Respondent, as the Freeholder and owner of the excluded units, is the "appropriate person" within the meaning of section 103(5). Under section 103(3) and (4), where there is more than one excluded unit, the shortfall must be apportioned between the excluded units by reference to their internal floor areas. The Applicant's submission is that Flats 9 and 10 are materially similar in size and there is no evidence to the contrary. The Tribunal therefore determines that each excluded unit should be treated as bearing an equal share of the shortfall.

20. Clause 10 of the qualifying tenants' leases provides that each tenant is liable to pay a proportion of the relevant costs calculated by reference to the ratio of the rateable value of the flat to the aggregate rateable value of **all** the flats within the building.

21. There are 17 flats within the building, but only 15 are subject to qualifying leases. As a result, the aggregate service charges recoverable under those leases will inevitably amount to less than the whole of the relevant costs incurred in managing the building, creating a shortfall. Section 103 therefore requires the Respondent, as the "appropriate person" in respect of Flats 9 and 10, the excluded units, to pay the difference between the total relevant costs and the aggregate amount payable under the qualifying leases.

22. The Tribunal therefore determines that section 103 applies and that the Respondent's liability arises pursuant to that section as the "appropriate person" in respect of Flats 9 and 10, which are excluded units and not subject to qualifying leases.

23. Turning to the amount of the statutory contribution and the appropriate basis upon which service charges should be apportioned, the Tribunal has jurisdiction under section 27A of the 1985 Act to determine whether a service charge is payable and, if so, by whom, in what amount and on what basis it is payable.

24. Clause 10 of the leases provides that service charge contributions are to be apportioned by reference to rateable value. However, where the use of rateable values is "*impractical, impossible or undesirable*", the

apportionment is instead "*to be determined in the absolute discretion of the Landlord*".

25. In *Aviva Investors Ground Rent GP Ltd v Williams [2023] UKSC 6,* the Supreme Court confirmed that a lease clause cannot exclude or restrict the Tribunal's jurisdiction under section 27A(6) of the 1985 Act. Whilst clause 10 confers a discretion in relation to apportionment, the Tribunal remains entitled to determine whether the resulting service charges are payable and, if so, in what amount.

26. The Tribunal accepts that rateable values are no longer available and that the alternative apportionment mechanism within clause 10 is therefore engaged. Whilst clause 10 confers a discretion on the Landlord, the Tribunal has jurisdiction under section 27A of the 1985 Act to determine whether the landlord's exercise of discretion in respect of the apportionment adopted was within its contractual discretion and whether the outcome was reasonable (see *Aviva* paras 15-18).

27. The Tribunal accepts the Applicant's unchallenged assertion that the building is substantially uniform in character and that the flats in the building are materially similar in size. The Tribunal has received no evidence to the contrary.

28. Whilst historical practice is not determinative, the Tribunal notes that an equal-share apportionment has been applied since the Applicant acquired the right to manage in 2005 and that the Respondent has accepted that basis of apportionment throughout that period without challenge.

29. In those circumstances, the Tribunal is satisfied that an equal apportionment of 1/17th is a reasonable and proportionate method of allocating the relevant service charge costs for the disputed year, 2026, under clause 10 of the leases. The Tribunal therefore finds that the aggregate liability of the qualifying tenants under the long leases is 15/17th of the relevant costs.

30. As flats 9 and 10 are excluded units and as they are not subject to qualifying leases, the Respondent has no contractual liability under clause 10 in respect of those flats. Instead, in accordance with section 103 of the 2002 Act, the Respondent, as the "appropriate person", is liable to pay the resulting shortfall attributable to Flats 9 and 10, which is equal to 2/17ths of the relevant costs. The Tribunal therefore determines that the Respondent's liability for 2026, in respect of Flats 9 and 10, is the equivalent of 2/17th of the relevant costs.

Name: Mrs E Ratcliff MRICS **Date:** 2 November 2026

Rights of appeal

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

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

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

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

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

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