FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case reference	**:**	**LON/00AS/LSC/2026/0286**
Property	**:**	**Flat 21, Bluenote Apartments, 34 Blyth Road, Hayes, UB3 1FF**
Applicants	**:**	**Dr Myat Soe Thet and Dr Poe Nu Htay**
Representative	**:**	**In Person**
Respondent	**:**	**Sage Homes RP Limited**
Representative	**:**	**Victoria Osler - Counsel**
Type of application	**:**	**For the determination of the liability to pay service charges under section 27A of the Landlord and Tenant Act 1985**
Tribunal members	**:**	**Mr A Harris LLM FRICS** **Mr M Pearce MRICS**
Venue	**:**	**10 Alfred Place, London WC1E 7LR**
Date of decision	**:**	**17 November 2026**

DECISION

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Decisions of the tribunal

(1) The tribunal makes the determinations as set out under the various headings in this Decision

(2) At the end of the decision the tribunal has made directions for submissions on the application under section 20C of the Landlord and Tenant Act 1985, Schedule 11 to the Commonhold and Leasehold Reform Act 2002 ("the 2002 Act") and whether to order reimbursement of the tribunal fees paid by the Applicant.

The application

1. The Applicant seeks a determination pursuant to s.27A of the Landlord and Tenant Act 1985 ("the 1985 Act") and Schedule 11 to the Commonhold and Leasehold Reform Act 2002 ("the 2002 Act") as to the amount of service charges and (where applicable) administration charges payable by the Applicant in respect of the service charge years 2024/5, 2025/6 and 2026/7.

The hearing

2. The Applicant appeared in person at the hearing and the Respondent was represented by Victoria Osler of Counsel.

3. Immediately prior to the hearing it was apparent the tribunal members had not seen the parties' skeleton arguments and a copy was handed up to the tribunal.

4. Both parties had apparently said they would agree to a mediation but one had not taken place. The tribunal adjourned for a short while to allow the parties to consult. It was agreed the hearing would continue. It would not have been a proportionate use of the tribunal's resources to adjourn for mediation with the risk that a further hearing would be needed if settlement was not reached. The tribunal chair could not act as a mediator and tribunal chair in the same case.

The background

5. The property which is the subject of this application is a 3 bedroom, 3rd floor, purpose built flat. The block was developed by Bellway Homes who remain the freeholder. The flat is held on a head lease by Sage RP Ltd, a registered social landlord, who in turn sublet to the Applicants. The sublease was initially a shared ownership lease which has now staircased to 100% ownership by the Applicants.

6. Neither party requested an inspection and the tribunal did not consider that one was necessary, nor would it have been proportionate to the issues in dispute.

7. The Applicant and Respondent both hold long leases of the property which requires the freeholder to provide services and the tenants to contribute towards their costs by way of a variable service charge. The specific provisions of the leases will be referred to below, where appropriate.

The issues

8. At the start of the hearing the parties identified the relevant issues for determination as follows:

   (i) The payability and/or reasonableness of service charges for 2024/25, 2025/26, and estimated service charges for 2026/27 relating to management and administration fees for each year.

   (ii) Insurance charges for each year as above.

9. Having heard evidence and submissions from the parties and considered all of the documents provided, the tribunal has made determinations on the various issues as follows.

Service charge item & amount claimed

10. 2024/25 management fee £195.00 and administration fee £75.00

11. 2025/26 management fee £195.00 and administration fee £75.00

12. 2026/27 management fee £215.04 and administration fee £75.00 (estimated)

13. The same issues arise for each year and will be considered together

The tribunal's decision

14. The tribunal determines that the amount payable in respect of management fees for each of 2024/25 and 2025/26 is £195.00. Management fees for 2026/27 £215.04.

15. The tribunal determines that the amount payable in respect of administration fees for each of 2024/25 and 2025/26 is £75.00 and estimated administration fees for 2026/27 £75.00.

Reasons for the tribunal's decision

The Applicant's case

16. The Applicants accept that the Respondent remains their landlord and has a continuing oversight role under the lease. The Applicants also accept the Respondent does real work in relation to the building and the question is what that work reasonably costs given that there is a separate managing agent under the head lease.

17. The 2 fees together recover all or nearly all of the Respondent's claimed costs. The Respondent's own figures show a cost per shared ownership home of £270, £288 and £310 in its 2024, 2025 and 2026 budgets. The Applicants challenge the Respondent's statement that the Management Fee is "materially below the actual costs" and say this is only true if the Administration Fee is left out. No cost base for the Administration Fee has been produced.

18. The figure of £310 for 2026 is a portfolio average and not a figure specifically allocated to the subject flat. There is a pool cost of £7,173,233 which is divided by 5950 homes. No workings are given for the team percentages and the method yields the same figure for every shared ownership home regardless of whether the Respondent directly manages the building or whether a separate managing agent is in place.

19. On the Respondent's figures 27% of the allocated total comes from repairs and maintenance and housing operations functions which the scheme managing agents perform and charge for. The Respondent does not say what distinct work, if any, those teams do for this property. The tables in evidence do not show whether the total number of homes includes fully staircased homes.

20. The Applicants say that duplication has not been prevented and there is no separate management agreement in place, only the head lease. The head lease sets out the management company's obligations and the Respondent's covenants as tenant but does not divide the management work, or its cost between the Respondent and the managing agent.

21. The Applicants say that the Respondent's policy and its 2026/27 demand say the management fee covers the "procurement of buildings insurance" but the Respondent now says it does not place the insurance. The freeholder arranges this through a separate block policy. The Respondent's policy says that the 7% of the charge covers "scrutinising the management company's accounts and checking that the charges being asked for are reasonable and challenging them if necessary".

22. There is no contemporaneous costing or 2018/2019 benchmarking in evidence.

23. The Applicants increased their ownership to 100% under the staircasing provisions which reduce the rent to a peppercorn and end the rent review mechanism, staircase in, pre-emption and mortgage protection provisions and the bar on under letting. Rent setting is part of the rent setting and service charges team whose cost is allocated 70% to shared ownership homes. Transactions which can still arise such as assignment, transfer and resale carry separate fees under the lease.

24. The administration fee is a flat £75 which is said to be 7% of the estate costs capped at £75 but the cap binds every year. Using the Respondent's own figures 7% of the estate costs for 2024/25 is £192.39, for 2025/26 £257.63 and estimated for 2026/27 £256.83. The charge at £75 is not proportional to the estate costs and no cost evidence specific to the fee has ever been produced. The functions attributed to it overlap with those in the management fee.

25. The Applicants except the Respondent is entitled to a reasonable fee for the work it does including a reasonable share of overheads. Exercising their judgement the Applicants propose a fee of £125 per year for the 2 fees combined.

The Respondent's case

26. The Respondent refers to clause 3.3 of the lease and in particular clause 3.3.4 "To pay to the Landlord a due proportion of the sums due under the Superior Lease, all such sums to continue to be payable after Final Staircasing has been accomplished".

27. Clause 3.3.6 "To pay the Landlord's management and administration fees in relation to the Premises".

28. Schedule 6, paragraph 2 lists the provisions which cease to have effect on final staircase: the rent review, staircase in, pre-emption and mortgage protection provisions. Clause 3.3 is not among them. Clause 3.23 (events specific administration fees) is not relied on for either annual fee.

29. Costs include overheads under section 18 (3) (a) of the 1985 Act. They are not administration charges within paragraph 1 (1) of schedule 11 to the 2002 Act which is confined to approvals, information, non-payment and breach. The case falls under sections 19 and 27A of the 1985 Act.

30. The Respondents point out that Section 19(1) limits recovery to costs "reasonably incurred". S.19(2) limits sums payable in advance to "no greater than is reasonable". The test is objective. Whether a cost is reasonably incurred is a question of both of the landlord's decision-

making process and of outcome. There may be many outcomes each of which is reasonable, and if the landlord's course leads to a reasonable outcome the cost is reasonably incurred even if a cheaper reasonable outcome was available: *Waaler v Hounslow LBC* [2017] EWCA Civ 45; [2017] 1 WLR 2817 at [37]. The outcome is to be tested against the evidence, including the market: *Forcelux Ltd v Sweetman* [2001] 2 EGLR 173 at [39]-[40]; approved in *Waaler* at [32]-[34].

31. The Applicants also rely on *Veena SA v Cheong* [2003] 1 EGLR 175 for the proposition that a management fee is assessed by reference to the services actually provided for it [p.21, §6.4]. That was an appeal about the cost of a full-time porter and part-time cleaner for seven flats, the Tribunal did not decide how a management fee is to be assessed. It held that "reasonably incurred" raises two questions:

    (a) whether the action taken in incurring the costs was reasonable and whether the amount of those costs was reasonable (§103);
    (b) recoverability under the lease and reasonableness are separate enquiries, the statute overriding the Lease (§111).

32. The Respondent does not dispute these legal principles. Clause 3.3.6 makes the fees payable in principle but Sage has the responsibility to demonstrate their reasonableness including the need for the functions they fund once a prima facie case has been made. The Respondent relies on the evidence of Mr Quaye. This shows the need arising from the Respondent's position as intermediate landlord. The appeal in *Veema* failed on the landlord's evidence. The case does not assist the Applicant's proposal of £125 for both fees. That a lesser arrangement might have sufficed does not make the arrangement chosen unreasonable where it produces a reasonable outcome (*Waaler* at [37] and on the Applicant's own description the £125 is indicative rather than computed.

33. An application to the tribunal does not of itself place the burden on the landlord to justify and document every item and where the sums claimed do not appear unreasonable the tribunal is not required to adopt a sceptical approach. (*Yorkbrook Investments Ltd v Batten* (1986) 18 HLR 25 at 34; [1985] 2 EGLR 100 at 102L; *Enterprise Home Developments LLP v Adam* [2020] UKUT 151 (LC) at [26]-[28], both relied on by the Applicants [p.845, §11].)

34. The Applicants argue that clause 3.3.6 requires a "real and demonstrable connection between the charge, the work performed and the Premises" and therefore a fee described as covering administration across all their properties does not qualify. The Respondents argue that the words "in relation to" are a broad meaning and the function is to identify the fee is attributable to these premises rather than some other property of the landlord and not require that each component of the landlord's work is performed exclusively for flat 21.

35. This is supported by the commercial context. The lease is a standard form shared ownership lease granted by a registered provider with a portfolio of several thousand such homes. Predating the lease, Sage produced a service charge policy providing for a fixed management fee of £195 for shared ownership properties described as the administrative costs of managing the property portfolio. A reasonable person with that background will understand clause 3.3.6 to permit a fair portfolio derived home fee for the landlord's management and administration functions. The Applicant accepts that work done under the continuing responsibilities may be "work in relation to these premises" and that clause 3.3.6 does not require it to be for their benefit alone and a portfolio average may, in principle, be a proper way of apportioning overheads.

36. Gateway manage the physical estate and block for the management company under the head lease. The management company can recover the managing agents fees from the Respondent as head lessee and the invoices are addressed to the Respondent and not to the individual shared owners. Everything between receipt of Gateway's and FirstPort's insurance invoices and the Applicant's monthly direct debit is the work of the Respondent.

37. The Respondent argues that the management fee it charges is reasonable for 5 reasons. Firstly, it is capped at a level below cost, secondly, the decision is robust but the apportionment of their costs between each activity is a judgement. Thirdly, the fee was fixed at £195 in 2018/19 and held at that figure for 8 years even though inflation ran at roughly 32%. Fourthly, the fee is benchmarked and finally, the fee is proportional to the service. The block managing agent's fee for the subject flat in 2024/25 was £515.54 and the further £195 for the Respondent's separate landlord billing accounting and oversight functions is modest. The question is whether the service was worth the amount charged for it.

38. The Respondent says there is no duplication or double recovery as the 2 organisations perform different tasks for different parties under different instruments.

39. In response to the Applicants' claim that after 12 December 2024 when staircasing was completed rent setting and staircasing is no longer relevant so the fee should fall, the Respondent says that clause 3.3.6 remains in force and that functions which remain – budgeting, billing, collection, accounts, third-party scrutiny, compliance oversight and enquiries are the substance of the service. Staircasing transactions are charged separately when they occur.

40. The Respondent disagrees with the Applicant's proposed fee of £125 for both fees combined which the Applicants say is indicative rather than computed. It excludes many of the functions such as the customer call

centre complaints and insight functions and any leadership or governance.

41. Clause 3.3.6 provides for 2 types of fee: management and administration fees. Nothing in the lease requires them to be assessed together. The Administration fee covers processing payments of the managing agent's and insurance invoices, allocating them to the lease year and reviewing budgets and invoices. The fee is 7% of estate costs, capped at £75.

42. The Applicants raised a query about the presentation of insurance costs in the accounts. In evidence it emerged that the service charge years and insurance years are different so that the service charge budget is set on an estimate which is then reversed out when the actual premium is known. The premiums themselves are not challenged.

Discussion

43. The leasehold structure of this property is unusual in the general market but not in relation to shared ownership properties. At the top of the chain is the freeholder. Management is the responsibility of Bluenote Apartments Management Company Ltd who appoint Gateway as managing agents. A head lease is granted to Sage RP Ltd, the Respondents, who then granted an underlease to the Applicants.

44. The head lease covers 34 flats on a shared ownership basis. The Applicants increased their proportion of the subject flat under the staircasing provisions to 100%. This does not alter the head leasehold or under leasehold arrangements and does not introduce any direct contractual relationship between the Applicants and the freeholder or the Management Company.

45. Section 19(1) of the 1985 Act limits service charge recovery to costs "reasonably incurred". Section 19(2) limits sums payable in advance to "no greater than is reasonable". Whether a cost is reasonably incurred is a question of both the landlord's decision-making process and of outcome. The test is objective. There may be many outcomes which are reasonable and if the landlord's action leads to a reasonable outcome the cost is reasonably incurred even if cheaper options are available. *Waaler v Hounslow LBC* [2017] EWCA Civ 45; [2017] 1 WLR 2817 at [37].

46. On the wording of the lease the tribunal does not agree with the Applicants that the service charge must be related to the "Premises" or to costs incurred solely for work in relation to flat 21. Management of a block covers many varied duties and responsibilities and to allocate a cost for every action to an individual flat would firstly be onerous for a landlord but would also expose leaseholders to widely varying costs each year. If for example, a leaseholder raised a repair issue or poor quality services they would potentially incur a cost.

47. There are various ways in which management fees and administration fees as defined in the lease could be charged and the choice is that of the landlord under the lease. It only has to be reasonable to satisfy the requirements of the Act. The tribunal considers that the method adopted by the Respondent is a reasonable method. It spreads the costs it incurs evenly across the portfolio.

48. The tribunal is satisfied that the range of duties and responsibilities which the Respondent says it has are to be expected in an arrangement of this nature. The Respondent as an intermediate party has responsibilities up the chain to the freeholder and down the chain to the flat owners. So, for example, it has to pay the service charge upwards to the Management Company and freeholder even if it has not received payment from the flat leaseholders. If the leaseholders have any concerns or problems their recourse is to the Respondent and not directly to the Management Company or freeholder. Mechanisms have to be in place to deal with this. As a landlord, even if not the freeholder, the Respondent has legal responsibilities to its leaseholders.

49. The Applicants suggested that the Respondents did not challenge the Management Company as the dispute resolution mechanism via the RICS had not been invoked. The Respondents say they have been able to resolve any issues by discussion without needing to resort to dispute resolution mechanisms. The tribunal considers that dispute resolution mechanisms are a last resort and incur significant costs and it accepts the Respondents evidence that any issues have been resolved.

50. The split between management fees and administration fees is unusual and under most leases there is a single charge. However, it is set out in the contract and the tribunal has no powers to interfere with it. The bundle included the information provided to leaseholders by the Respondent and explained what each of the fees covered. It sets out that the administration fee is 7% of any estate charges capped at £75 per year.

51. The tribunal therefore finds that the management fees for 2024/25 and 2025/2026 are £195 for each year and reasonably incurred. It also finds that the advance charge for 2026/2027 of £215.4 is reasonable.

52. The tribunal also finds that the Administration fee of £75 for each year is reasonably incurred.

53. There is no challenge to the amount of the insurance premiums and in the absence of any evidence that the premiums have not been accounted for properly the tribunal finds that they have been reasonably incurred.

54. The Applicant has dropped any challenge to the audit fee.

55. There is no challenge to recoverability under the lease.

Application under s.20C and refund of fees

56. In the bundle the Applicants included submissions in relation to section 20 C of the 1985 Act and paragraph 5 A of schedule 11 to the 2002 Act. The Respondent requested that these applications be dealt with in writing once the substantive decision made. The parties agreed with this course of action and the tribunal stated that the Applicants were at liberty to amend their submissions.

57. The tribunal directs that within 14 days of the date of this decision the Applicant confirms or amends its applications.

58. Within a further 14 days the Respondent may reply. Within a further 7 days the Applicant may make a response to any matters raised by the Respondent which had not already been dealt with in their initial submission.

59. The tribunal will then make its decision.

Name: A Harris **Date:** 17 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).