

Leaseholder Guide to Lease Administration Fees

When you buy, own or sell a Leasehold property, many of your rights and obligations will be set out in your lease. One of your obligations may be to make certain payments to the person or the organisation responsible for administering and managing your building. That person might be your landlord, a management company or a managing agent instructed by the landlord or management company. In this guide, we will describe that person or organisation as the "Lease Administrator".



The type of payments will vary depending on the type of property and lease. Many will be set out in the documents your conveyancing lawyer provides to you before you exchange contracts, including:

- The Leasehold Property Enquiry Form, the LPE1, or
- The Buyer's Summary, the LPE2, as a quick reference guide.

Three Types of Charge

The types of charge can be divided into three groups, and you should ensure that you know and understand what you are likely to have to pay before you exchange contracts. They are:

Ground Rent

Service Charges

**Administration
Charges**

You may need to make regular payments of ground rent as well as service charges which are your contribution to the upkeep of any shared parts of the building or grounds. In some cases, you may also be obliged to make one off payments relating to your ownership and use of your property. Those payments are known as administration charges.

Your conveyancer will tell you about those payments but, as they will impact your day to day disposable income, do check with them if you are not 100% sure.

It is important, when buying a leasehold property, to ensure that all payments of ground rent, service and administration charges will be up to date when you complete on your purchase.

Charges Explained

Ground Rent

Although the lease may initially oblige you to pay a fixed amount of ground rent, it may also contain a clause which allows the landlord to increase the rent in years to come. Ask your conveyancer to explain if there are any rent review clauses in your lease and check what this would mean to you. If the calculations are complex then seek advice so that you are sure of how they work. If you are buying a new property from the landlord then you may be able to renegotiate the ground rent if it is excessive.

Service Charges

Service charges normally vary according to the amount that is spent by the Lease Administrator each year on the upkeep of the building as a whole, including, for example, cleaning the common areas and replacing the roof. The charges may include buildings insurance though sometimes this is quoted separately. Generally the lease will oblige you to pay a fixed percentage or a "reasonable proportion" of that amount. You should ask your conveyancer about the items that you will need to pay for, and ensure that you know whether the lease administrator has any plans for expensive works for which you will be responsible and when they will be payable.

Administration Charges

The Lease Administrator is likely to make administration charges if you ask for a service connected with your buying, selling or use of the property. The following are examples.

When You Sell

- 1. Leasehold Property Enquiries:** You will probably need to pay the Lease Administrator to provide the information required by your buyer and their lender when assessing the suitability of the title of the property. Most conveyancers recommend the use of the LPE1 and LPE2 because it is endorsed by both the legal and leasehold industry.
- 2. Licence to Assign:** it is possible that your lease requires you to obtain a licence from the Lease Administrator to sell the property, this will often involve them 'vetting' the new owner to make sure they meet the Lease Administrator's criteria and they will charge a fee.
- 3.** Some leases, usually in retirement flats, may also include an 'exit' or 'transfer' fee usually expressed as a percentage of the value.

To ensure you are aware of any such costs instruct your conveyancer to review your lease before you market the property, if you tell them about any changes you have made they can also highlight if you need to obtain the Landlord's consent to the changes before you sell the property. A buyer will want to see that those consents are in place and it could add delay or cost to the sale if they are not.

When You Buy

- 4. Deed of Covenant:** Some Leases require that you enter into a Deed to confirm that you will be bound by the terms of the Lease.
- 5. Notice of Assignment and Charge:** The Lease Administrator will require that notice is served on them of the change in ownership and mortgage lender. This is so that they can make sure that they have your contact details and can provide you with information about their plans and charges for the upkeep of the property during your ownership.
- 6. Certificate of Compliance:** This is a document that the Lease Administrator provides to confirm to the Land Registry that the requirements in the lease for the change in ownership have been complied with.
- 7. Stock or Membership Transfer:** If you will be required to become a member of the Management Company then some administrators charge a fee for transferring the share or membership in the Management Company into your name.

During Ownership

- 8. Consents:** Some leases have clauses which restrict your use of the property and may require you to obtain the consent of the Lease Administrator to certain changes at the property. Examples include running a business from the property, installing laminate flooring, a new boiler or bathroom, extending or altering the property, letting it out and even keeping a pet.
- 9. Notice of Charge:** If you re-mortgage the property during your ownership then the Lease Administrator may be entitled to receive notice of the change of lender.
- 10. Deed of Variation:** If there is an error on the lease or you want to change the terms of the Lease, a deed varying the lease terms is likely to be required.



Disputing Unreasonable Fees

Many Lease Administrators work fairly and professionally, and charge very reasonable fees for the work that they do, but some either ignore the law or exploit a loophole in the law to charge unreasonable fees.

If the Lease Administrator IS a member of the Royal Institute of Chartered Surveyors (RICS) or Association of Residential Managing Agents (ARMA)

They will be bound by a code of practice. You can complain to RICS or ARMA, as well as the Lease Administrator, if a fee is unreasonable.

If the Lease Administrator is NOT a member of RICS or ARMA, or if you are not happy with their response, you do still have options.

Under an Act of Parliament, the Commonhold and Leasehold Reform Act 2002, Lease Administrators cannot charge unreasonable fees for administrative services in connection with two services:

- a) The grant of consent and
- b) The provision of information.

That means that for providing the Leasehold Information (point 1 above) and for Consents (point 6 above) they cannot charge an excessive fee for the work involved. Any other activity required in connection with the provision of information or consents should also be reasonable.

If the Lease Administrator charges you an unreasonable administration charge, you can take action against them.

This might simply be a case of your conveyancer raising the issue with them and pointing out the case law, but sometimes that causes delays and customers choose to pay the fee to obtain the information and then complain afterwards.

If the Lease Administrator charges an unreasonable administration charge, you can apply to the First-tier Tribunal (Property Chamber). That might sound daunting, but it is in fact a straightforward process that can be done at any time before, during or after payment has been made.

All you need do is to download and complete the form 'Leasehold 1' from the gov.uk website <http://hmctsformfinder.justice.gov.uk> and send it with the required fee to the Tribunal. The fees start as low as £100 and you can request that the Tribunal require that the Lease Administrator refunds the fee to you if it is fair to do so after your application has been decided. You should take legal advice on what the potential costs might be to you and other leaseholders if you are unsuccessful in your complaint; some leases do allow for the landlord to claim back legal fees from the leaseholders.

What is a reasonable fee?

This will depend upon the amount of work required in providing the service and the complexity of the Lease arrangements but there are cases heard by the Tribunal where they have reviewed the evidence and decided what a reasonable fee should be on the particular facts of that case:

- **Deed of Covenant in connection with consent to let: £80**
- **Grant of consent: £40-£165**

For further advice and information, please visit: www.conveyancingassociation.org.uk, www.hoa.org.uk, www.leaseholdknowledge.com and www.lease-advice.org.