

# Common Misconceptions About Leasehold



**I have bought my flat, you can't tell me what to do** – you don't own the bricks and mortar or the land on which it is built; you have bought the right to live in the property for a long time. The lease tells you what you can and can't do, what your landlord must do, the services that must be provided and the amount you must pay for them.

**I pay you £3,000 to manage my flat** – The amount of the service charge paid to the managing agent as management fee is usually quite small – pence per day per flat. Most of what you pay covers the actual costs incurred in providing services, such as; cleaning, maintenance, insurance, utilities, on-site staff etc.

**Can't you just write it off?** – Service charges cover the actual costs incurred. They provide no profit. Communal living includes collective responsibility for shared costs. There is no 'magic pot' from which money can be taken to write off your share.

**I bought my flat so I shouldn't have to pay service charges** – You bought the exclusive right to live in the flat and use the common parts. The structure of the building and common parts still need to be maintained. The landlord retains the obligation to maintain these areas but also has the right to recover the costs incurred as service charges. The lease will tell you precisely what is exclusively yours and what rights and obligations you share with others.

**I bought my flat so why do I need permission to alter my flat** – You have bought a lease, giving you the right to occupy the property (without ownership), albeit for a very long time. You will almost certainly need a licence because the landlord is required to ensure that works do not have an effect on the structure of the building or the rights of other leaseholders. You can't do as you please, you must seek consent when the lease requires you to do so.

**You are the managing agent and my washing machine doesn't work** – The Landlord's and Managing agent's responsibilities usually stop at the front door of the flat. Your washing machine is your own personal property and your own obligation to repair / replace.

**It's only a car parking space – why is there a service charge** – Communal living includes collective responsibility for shared costs. Car parks require maintenance over the long term and often have all the common features of flats, sometimes even more. Entry systems, sprinklers, lighting, ventilation, pumps.

**I live on the ground floor so why should I pay towards the lift costs** – The obligation to pay towards the upkeep of facilities is usually related to the right to use those facilities. You have a right to use the lift whether you need to use it or not. Occasionally leases do provide for all lift costs to be met by those leaseholders living on the upper floors but this is not the norm. It is much more usual for leases to provide for all leaseholders to cover a proportion of all communal costs.

## Other Guides in the Series

- Your Guide to Leasehold
- Who is Who in a Block of Leasehold Flats?
- What is a Lease?
- The Money – Service Charges and Ground Rent in Leasehold Homes
- Your Leasehold Home – Making a Complaint

# Glossary



**Common parts** – those parts of the building enjoyed by everyone and not forming an exclusive part of anybody's flat.

**First Tier Tribunal (Property)** – part of the formal courts and tribunals system where judgements are made about service charge disputes.

**Freeholder** – owns the land on which the building(s) is built. May also be the Landlord.

**Freehold Company** – a company that owns the freehold, the shares in which are usually owned by the leaseholders. Often described as 'having a share of the freehold'.

**Ground Rent** – the annual charge payable to the freeholder for the continuing right to occupy the property. The amount payable will be set out in the lease. It may only be a nominal amount ("a peppercorn") or it may be reasonably substantial.

**Head Lessor** – the landlord may grant a lease of the whole building to a party (company or individual) who then grants 'under leases' to the leaseholders of individual flats. In this scenario, the Head Lessor becomes the landlord of the individual flats.

**Landlord** – either owns the building (as freeholder), has a long lease on it or is a 3rd party within the lease with rights to recover Service Charges towards the costs of maintaining the building and common parts and providing services.

**Lease** – a private contract between you and your landlord which sets out the rights and duties of both parties. Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 125 years when first granted.

**Leaseholder** – the person who has bought a lease which gives them the right to occupy the flat for a fixed number of years ("the term"). Can also be called 'lessee', 'flat owner', but usually referred to as 'tenant' in legislation.

**Management Fees** – The fees paid to managing agents or the costs directly incurred by the landlord, in managing the building and arranging the services. This is usually only a very small element of the total service charge.

**Manager** – may be managing agent or may be the landlord managing the property directly with their own staff.

**Managing Agent** – is a company appointed by the landlord to run and manage the building and any services. The cost of their services is covered by a management fee which is usually only a very small element of the total service charge.

**Property Manager** – the person who actually manages the building, usually an employee of the Managing Agent.

**Reserve Funds/Sinking Funds** – money collected towards future major works and replacements. Held in trust, on behalf of the building, to ensure money is available when the works are required.

**Residents' Management Company (RMC)** – a company set up to deliver the services on behalf of the landlord under the terms of the lease. The company is a party to the lease (as landlord) and all leaseholders are usually shareholders.

**Service Charges** – Service Charges are monies collected to maintain the structure of the building and common parts and cover the cost of any services provided. These include; repairs, cleaning, lift servicing, gardening, on-site staff, utilities, managing agent's fees, in fact any service that is provided under the lease.

**Service charge year** – the lease will state when the service charge year starts and ends. It will also state what accounting information the landlord should provide at the end of the service charge year.

**Term** – Your lease will allow you to occupy the property for a fixed number of years: typically for 99 or 125 years when first granted. This is known as the term. The remaining right of occupancy reduces year by year from the date when it was originally granted.