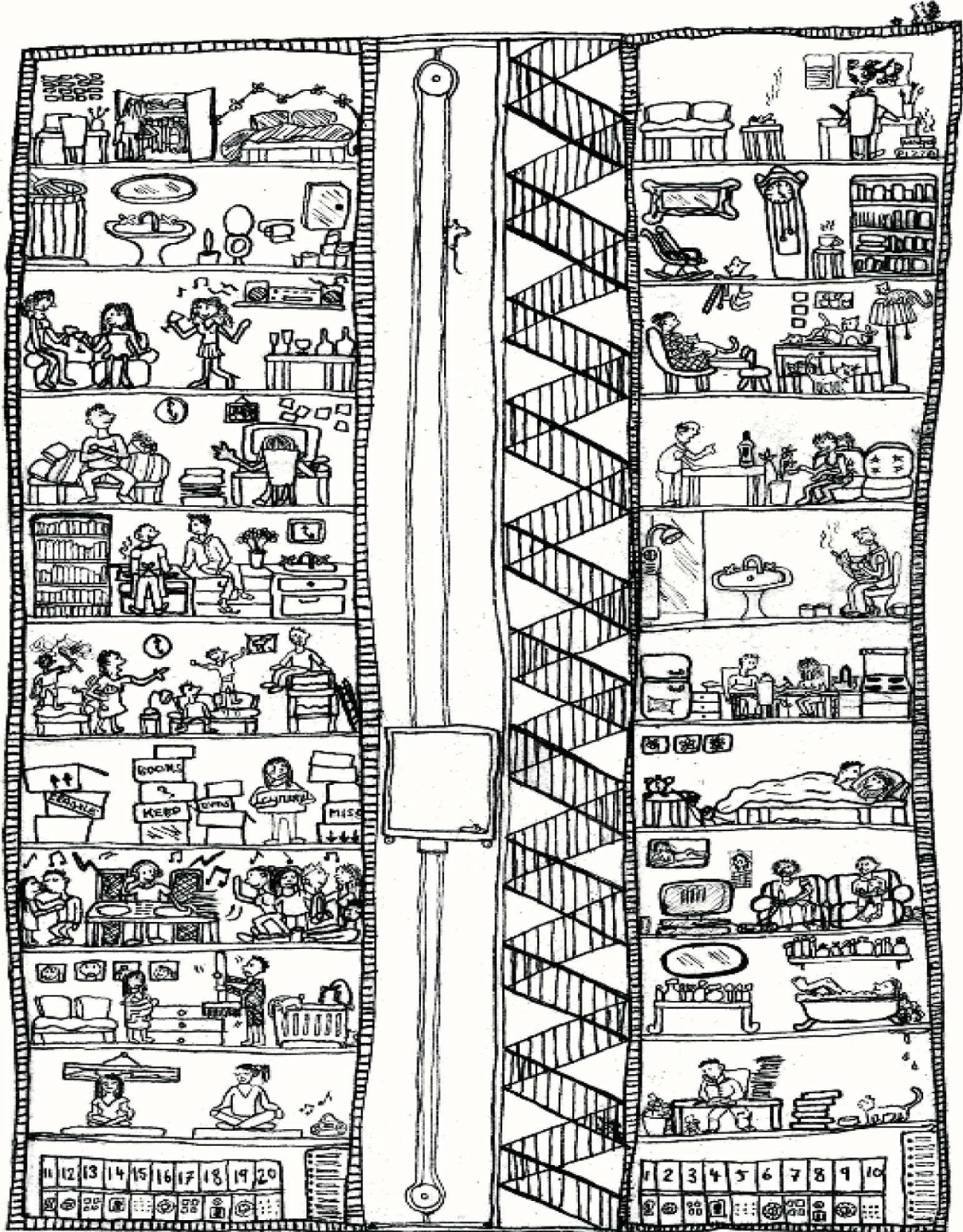


CHANEYS

Chartered Surveyors & Property Managers



Lessee Information Pack



RICS

The mark of
property professionalism worldwide

Contents

- 1 Management of your Service Charge
- 2 Lifestyle; Living in a Block of Flats
 - The Managing Agent
 - Accounts
 - Repairs
 - Major Works & Redecoration
 - Insurance
 - Security
 - Sub - Letting
 - Everyday Matters
 - Buying & Selling
- 3 Parking, Gates, Clamping & Door Entry Systems
- 4 Leasehold; Frequently Asked Questions
- 5 Insurance; What you need to know

Contact Information

Tel: 0118 972 2333

Fax: 0118 972 4060

Email: [info@chaneyscharteredsurveyors.com](mailto:info@chaneyscharteredurveyors.com)

Post: Chaney's Chartered Surveyors
Chiltern Court
St Peters Avenue
Reading
RG4 7DH

Professional Management of your Service Charge



Chaney's are committed to providing a professional, local and reliable management service to suit our clients

What you may expect from us;

We will:-

1. Collect your service charge in accordance with the terms of your lease or if agreed by alternative arrangement such as monthly standing order, pursuing arrears where appropriate.
2. Hold that service charge in a separate protected client bank account, earning interest and not muddled with our money or that of any of our other clients.
3. Maintain proper books of account, open to inspection by you at any time subject to a prior appointment being made, reconcile balances regularly throughout the financial year to make sure the correct amount is being held and arrange for the books to be properly audited once a year.
4. Provide you with copies of the audited accounts each year.
5. Advise on budgets and expenditure and organise contractors obtaining competitive quotes.
6. Pay bills relating to the property for those communal obligations that become due under the terms of the lease.
7. Employ contractors on your behalf in the communal day to day running and maintenance of the property.
8. Deal with day to day repairs that are part of the communal responsibility.
9. Organise and arrange major works of repair particularly those which fall within the limitations of the Landlord and Tenant Act and where Section 20 notice has to be served.*
10. Carry out walk round inspections of the property as agreed reporting to the directors of the management company on request.
11. Arrange insurance and organise payment of the premiums as well as help with claims subject to the terms set out in our documents relating to Insurance*
12. Advise on the appointment of Directors as well as relevant Company legislation.
13. Assist the accountant in dealing with Companies House in connection with the management company.
14. Deal with your solicitors enquiries on sale of your flat, arranging consents and handle notices that may be required, subject to payment as provided for*.

15. Provide a manned telephone line between the hours of 8.30am and 5pm to deal with any of your queries along with an out of hours number in the case of emergencies.

16. Offer our informal advice and deal informally with any property query you may have in any other property matter you may be involved in.

17. Provide you with a proper and acceptable complaints procedure recognised by leading property authorities.

All we ask of you is that;

You will:-

1. Comply with the terms of your Lease.
2. Pay your service charge on time and as agreed – after all it's your money to pay your bills and without it we can't do anything!
3. If you have a serious problem, contact us either by phone or e-mail. If you have a non serious problem, or require information, contact us in writing.
4. If you have an accounts query, contact us in writing – the answer often needs quite a lot of research and may take a little time.
5. When letting your property ask us for our guidance notes, tell us what you are doing, give us details of how we can contact you once the property is let, make sure that the property is let properly and make sure that whoever lets the property [you/the letting agents] knows what they are doing.
6. If you delegate authority for your flat, do so properly and make sure we are notified formally. Unless this is done we will not, nor may we, deal with any third party in any matter relating to the flat nor can we accept that authority from anyone other than the lessee or their solicitors.
7. Not lose car park tickets or keys without expecting to pay for a replacement – please see our notes on car parks, barriers and passes.
8. When asking for repairs, make sure that they are a communal rather than individual responsibility under the terms of the lease – you can always ask us, we will check and tell you.
9. Take an interest in the property as a whole, talk to us about matters that concern you, come and see us from time to time and discuss the property, make suggestions as to how it can be improved for everyone's benefit, get involved, talk to your directors, go to meetings and be actively involved – after all it is your home.

Local, Reliable



Professional service charge advice; budgets sinking funds, & maintenance

And it may be helpful to know;

- Although we are always pleased to talk, we take instructions from the directors of the management company – not from lessees [if you want to give us instructions become a director!] nor their tenants nor their managing agents. If you specifically want something done either refer it to your directors or to us and we will refer it to them.
- The service charge is your money – not ours. That's why we hold it in a separate client account. The amount of the service charge is determined by you the lessees and is there to pay your bills in the day to day running of the property.
- Service charge budgets can go up or down – although as the cost of providing services generally rises they usually go up.
- The sinking fund in the service charge is your hedge against future costs. For example if a property has to be decorated externally every five years and the predicted cost of decoration is five thousand pounds the sinking fund should increase by one thousand pounds per annum for five years until the property is decorated.
- When you sell your flat a purchaser's solicitor may ask for details of any anticipated expenditure its potential cost and whether or not a sinking fund exists. If it doesn't the solicitor may recommend to his client that they make an adjustment to the purchase price [at your cost] to take this into account.
- Freeholders and management companies often refuse to accept notices of assignment or charge [sale or mortgage] where service charge is unpaid. If you don't pay your service charge when properly due it has to be paid in the end and interest may be added!
- One of the major causes of problems in leasehold flats arises from problems in one way or another from sub-lettings and tenants – it is essential that any subletting is done within the terms of the lease and properly!
- Most insurance policies have excesses and, in addition, if you don't comply with the terms of the lease we may not necessarily be able to claim on your behalf.

And Finally....

Some useful contact details:-

In working hours 8.30 am to 5 pm - 0118 972 2333
e-mail to: [info@chaneysharteredsurveyors.com](mailto:info@chaneysharteredurveyors.com)

Outside working hours in the case of emergencies on 07834 011122

If you can't contact us on any of the above numbers outside working hours we have a number of approved contractors for emergencies only who may be able to help as follows:-

Electrical Problems:

Greg Easton - Easton Property Care
0118977738 / 07717295679

Building or Plumbing Problems:

Eddie Ward of Rightway Builders
07885 754881

Problems with Locks:

Richard Homden of ACG Security
07710 409216

You may have to pay them direct and recover from the service charge account retrospectively so please make sure that the problem is communal to the property rather than personal to you and make sure you get a receipt. And please note they will NOT deal with a call out from tenants – your own managing agents should have their own facility in place.

* Subject to agreed fees

Lifestyle

Living in a Block of Flats



The Managing Agent

Whilst day to day maintenance and any services that solely serve an individual flat are the responsibility of the lessee there is a joint responsibility for the common expenses such as insurance, cleaning, maintenance of communal areas such as gardens, the lighting of hallways and the like which are usually dealt with through a management company acting on the lessees behalf. It is the management company that employs the Managing Agent to undertake these responsibilities and collect service charges from lessees.

All service charges collected are held in a dedicated client account. Each block has its own bank account and it is into this that the service charge is paid and from this that the bills are met. This account is your account holding your money. Although of necessity we administer it, it does not belong to us, the agent, nor does it belong to the freeholder. Client accounts are reconciled regularly and they, and our accounting records and systems, are annually audited in accordance with the Royal Institution of Chartered Surveyors Members' accounting regulations and the Commonhold and Leasehold Reform Act. We are also FSA registered.

Our charges are normally covered by a fixed annual fee per unit for day to day duties. Sometimes it is necessary to charge a pre-notified fee, set out in our terms and conditions of engagement, for doing extra work, such as answering solicitor lease enquiry letters when remortgaging or selling your property, replacing lost swipe cards or key cutting, dealing with insurance claims, becoming involved in inter party disputes and supervising major works of repair which exceed one thousand pounds in value.

Accounts

All service charges received are paid into a client bank account, we hold a separate bank account for each block that we manage. These client accounts earn interest on their balances and any interest earned is paid straight into the account for the benefit of you, the lessee.

Service charge budgets are reviewed regularly and from time to time the budget is reassessed based largely on historical data and already identified improvement costs.

Normally the yearly service charge is adequate to cover all costs there are however some exceptions such as unforeseen major works for which an additional charge may have to be applied.

It should be stressed that the service charge is your money calculated in such a way as to cover the communal cost of your living in a block of flats or other such communal location. What it is spent on is entirely up to you, the residents and is driven by you, collectively, and not your agents. If for example you wished to make improvements or changes such as, say, the installation of additional security measures – providing that this is the wish of the majority and the additional cost properly estimated and agreed upon, the work would be carried out.

At the end of the financial year we prepare full service charge accounts which are given to independent accountants for audit or certification. These accounts will show all income and expenditure, outstanding arrears and the balance remaining.

After this all lessees have the right to inspect accounting records to be satisfied how their money has been spent. Our books are always open for inspection and we welcome any lessee who wishes to attend at our offices by appointment to look at copies of previous years accounts records or the cash book for the current period at any time.

Repairs

Whilst regular maintenance is carried out on the property it is your responsibility, and very sensible of you, to report to us any repairs that may be needed to the building, communal areas and grounds as soon as possible, so a contractor can be instructed.

Occasionally minor maintenance can be carried out by yourselves such as easily reached light bulb changes, this will cut down on contractor callouts thus reducing maintenance costs and service charge. Any legitimate peripheral costs with supporting receipts will be reimbursed by us from the service charge account.

Very occasionally a major emergency will occur out of hours which requires immediate action. Although we have given you an out of hours helpline numbers it may not be possible for you to contact us immediately. In the case of an emergency and if it is necessary for you to gain access to a neighbours property, we suggest that you contact the local police to accompany you into the property. This is for your own protection as well as that of your neighbour.

We have also provided you with a list of emergency numbers for various contractors – these will be people who know, or will be known by, us or who have a particular connection with the block. If however you are unable to contact any of these and

need to find your own contractor and you do so, please obtain a receipt for any monies paid out. We will take up the matter as soon as you have contacted us and will make sure, that, providing the payment is bona fide, you are reimbursed from either your client account or any resulting insurance claim.

Please remember that individual lessees are generally responsible for dealing with repairs in and to their "demised premises" which will be clearly defined in their lease.

You can help control Expenditure

Residents can help control expenditure and ensure that their money is spent efficiently on the upkeep of the property, not wasting it on preventable matters, thus reducing the service charge.

Ways in which you can help:

- Energy saving.
- Avoiding bulky rubbish collections.
- Minor maintenance such as light bulbs.
- Swift reporting of repairs.
- Co-operation in allowing access to your flat for contractors and surveyors, thus avoiding abortive callout charges.
- Talking to your neighbours and taking a collective interest in the upkeep of your property.
- Adhering to the terms of your lease at all times.
- Prompt payment of your service charge allowing full repairs to be carried out when needed.
- Making sure that if you let your flat your tenants act responsibly, comply with the terms of the lease and don't cause unnecessary problems. From experience we know that significant costs can come about from the actions of tenants who don't occupy flats as lessees would.

Major Works and Redecoration

From time to time major works above normal maintenance levels will be required. All service charges should include money "put aside for a rainy day" so that when big bills are incurred such as redecoration, lessees do not have to put their hands into their pockets to meet big bills. This money is usually called the sinking fund. When budgets are prepared sinking funds are calculated on the expectancy of having to do certain works at certain times. For example if a block has to be decorated externally every five years [this may be a condition of the lease] then one fifth or twenty percent of the approximate cost should be collected in the service charge every year for five years so that there is pretty much enough money to meet the cost when the work has to be carried out.

Sinking funds on modern or newly built blocks are usually less than those on older properties simply because less allowance needs to be made for exceptional repair which should not arise in a new building. Of course it doesn't always work out like this, particularly with older buildings and sometimes the cost of works has to be collected separately by

way of supplementary demand. The presence of a sinking fund should show in the end of year figures in the accounts – the sinking fund carried forward to the next year is often, but not always, reflected by the amount of the balance.

Work that is carried out is controlled. Where of a certain value, the cost has to be agreed and there are specific protocols that have to be followed. Briefly more than one estimate has to be obtained, notice served on the lessees and time given for comments and discussion. As a rough rule of thumb – apart from those works compelled by the terms of the lease, such as redecoration - we do not suggest that you go ahead with any work that does not carry the approval of the majority of the lessees in the property.

Unfortunately, very occasionally there is an emergency where substantial repairs are required and a consultation period would be totally impractical. The judgment for this would be based on 3 key criteria:

- Is the work required for safety reasons?
- Would a delay cause further deterioration?
- Would a delay cause significantly higher costs?

Most works are reasonably foreseeable and we will always endeavor to give lessees as much notice as possible.

Insurance

Buildings are usually insured collectively by either the Freeholder or Management Company and is recovered via the service charge.

Typically the building insurance covers risks from storm, fire, flood and non negligent consequential damage, for example if the roof leaks the leak may be covered by the service charge fund but not the damage to individual flats where the water has seeped in, which might then be covered by the insurance. Please bear in mind most policies DO NOT cover contents such as curtains and carpets.

All policies will have an excess, this will sometimes be met by the service charge but not always and not in cases where the responsibility clearly lies with an individual resident.

Almost certainly the insurance policy will not cover wear and tear.

Insurance policies require incidents to be reported within 7 days and, in cases of vandalism or criminal damage which unfortunately do happen, you must report the incident to the police and obtain a crime reference file number straight away. If these conditions are not met the claim may not be processed by the Insurers.

Security

Deterrents such as CCTV, door or gate entry systems are just that, deterrents. They do not automatically improve your security. The management company are not a security firm nor as your agents are we. Any disturbances or criminal activity should be reported immediately to the police. When such matters become a problem, we are happy to try and help solve the problem by looking into different deterrents on behalf of lessees, meeting security companies on site, obtaining quotes and presenting these to you. In turn we ask you to accept that such matters are entirely outside our, the management company or the freeholders control. Changing times and circumstances bring about changes in security – all of which is entirely out of our and the management company's control. For example a block of ours which had run very successfully and without any problems became victim to a bout of vandalism originating from the new occupiers of new housing nearby – something over which no one other than the police or possibly the local authority had any control. Because of this please be aware that we reserve the right to charge any additional costs or servicing fees relating to this in addition to the current years service charge.

You can of course help yourselves significantly!

All residents should always observe these basic rules:

- NEVER let strangers through the main door of the building even if they are waiting outside whilst you are entering.
- NEVER leave the doors open or “on the latch” when taking shopping in or rubbish out..
- ALWAYS make sure you know the caller on an intercom system and why the caller is wanting to gain access.
- ALWAYS ask for I.D. If unsure, tell them it is inconvenient at the present time and to call back later, which gives you time to check them out and call the police if necessary.
- NEVER let strangers in on behalf of your neighbours.
- BE A GOOD NEIGHBOUR, if you see anything suspicious call the Police, DO NOT attempt to investigate matters yourself.
- DO NOT leave valuables on show in your vehicle.

Sub-letting.

- Firstly please refer to questions 27, 28 and 29 of Frequently Asked Questions
- Sub-letting is not always allowed. If your lease allows you to sublet, you must be aware of any relevant covenants. For instance, if your tenant causes a nuisance, action can be taken against you as the lease holder. You may be required by the terms of your lease to get the consent of your freeholder or the management company. You should make sure that you do this, failure to do so may put you in breach of your lease which may have repercussions particularly if your tenant is a problem.
- Always make sure your tenants are fully aware of, and abide by, all of the terms and conditions that apply in your lease. If your flat is to be let then you, or

your agent if you are letting through an agent, should only let the flat subject to the terms of the lease and a copy of the lease should be attached to the tenancy agreement.

- The management company and their agents must be provided with your forwarding address and emergency contact numbers, the name and address of your letting agent and the name and contact numbers for your tenant.
- We would always advise employing a proper firm of surveyors or a professional letting agent. Such a course of action can significantly minimise your involvement and problems and the cost of such appointment is usually tax deductible.
- Finally the majority of problems we are faced with occur from flats that have been sub-let. We reserve the right to charge our usual management fee again where we have to deal with problems arising from flats that have been sub-let and where problems are caused by the sub-letting.

Everyday matters

Understanding your lease will prevent unnecessary everyday problems occurring. It is worth noting the following:-

Pets

Most leases DO NOT allow you to keep pets. If your lease does allow pets, you must make sure they do not annoy your neighbours in any way whatsoever.

Bicycles and pushchairs

Unfortunately few blocks provide purpose built storage for bicycles or pushchairs. Leases usually do not allow you to store them or similar items in the common parts of the building for Health and Safety reasons, particularly because they could block the means of escape from fire.

Care should be taken when taking such items to your flat as marking the walls will cause deterioration to the decor. In some cases, where consistent damage can be proven, individual lessees will be held responsible for redecoration.

Nuisance and noise.

In many cases nuisance is quite innocent and politely speaking to the person or people concerned will normally sort out the problem.

- Most leases prohibit excessive noise, outside of the flats between 11.00pm and 07.00am. Common sense obviously has to be applied [If you are having a party
- invite your neighbours!]. However, consistently played loud music at unsociable hours will class as nuisance.
- If you have already spoken to a lessee/tenant without success, you should keep a record of incidents times and dates in case the matter becomes a more serious issue.
- The Environmental Health Department of your local authority has powers to take action against such nuisances and should be your first “port of call” in a nuisance or noise situation. Please do inform us as well however as we need to know what is going

- Legal action under the terms of your lease will only be considered where there is proof from more than one lessee of the nuisance. Such action is costly and often unsuccessful. A court injunction would need to be obtained and you must be aware that any costs that may be incurred will need to be firstly indemnified and subsequently met by the lessees taking the action.

Satellite dishes and aerials

Most leases DO NOT allow the erection of any signalling or receiving equipment. It can be costly if you enter into an agreement with a communications company and then have to remove an unauthorised dish. Where the lease does permit such devices, a communal system is far better than individual dishes which will detract from the building visually. Please check with us first.

Parking

- Some leases do not allow parking of commercial vehicles or non- roadworthy vehicles.
- Where parking regulations are in force or a parking control company employed, neither we as agents or the management company are allowed to intervene in disputes. Any dispute should be taken up with the company or authority concerned. Always making sure you have permits displayed in the correct position should stop most unnecessary incidents. If you are waiting a new permit for a new vehicle or are unloading a vehicle without a permit, call the security company and tell them.
- If you have an allocated space, please use this and do not use spaces allocated to others.

Wooden Floors

Wooden floors allow noise to travel. Most leases DO NOT allow them or if they do they usually insist that they are properly covered or noise insulated. Common sense should prevail – dont inflict on your neighbours what you wouldnt want to suffer yourself.

For Sale Boards

Many leases DO NOT allow “For Sale” boards to be displayed anywhere on the property, gardens or boundaries., If in any doubt please check your lease.

Washing

Most leases DO NOT allow you to hang washing out to dry from windows or balconies.

Rubbish

Rubbish should always be cleanly and securely bagged and deposited in the facilities provided. Non house hold rubbish must be disposed of by you and not dumped in the common parts or cupboards. Disposal of this type of rubbish is expensive. Service charge money can be put to better use elsewhere.

Overflows Pipes

Faulty ballcock valves in tanks and cisterns can cause a great deal of annoyance and damage to the building if left unattended. Please take the trouble to look outside your flat from time to time. Although the outside of the property is usually a communal issue, damage caused by a leaking pipe is the responsibility of the lessee.

Insurance companies are unlikely to accept a claim for damage arising from a leaking overflow and any such responsibility may revert on to the lessee.

Buying or Selling.

When buying or selling a leasehold property there are certain procedures which may have to be followed.

- Most leases require that a Notice of Assignment is served on the Freeholder and Management Company and that the purchaser enters into a Deed of Covenant to agree to the terms of the lease.
- If a shareholder in the management company, as a seller you must surrender your certificate and provide a stamped stock transfer form to allow ownership of the share to be transferred to your buyer. This is normally done by the purchasers solicitor.
- The prospective purchasers solicitor will normally ask the vendors solicitor a set of questions, which will in turn be answered by the management company or their agents. The cost of doing this is normally paid for by the vendor at time of completion through their solicitor.

Parking, Gates, and Door Entry Systems.....



The car park serving your flats may have a number of security measures in place more particularly a security barrier and possibly a clamping policy. There are certain things you need to know:-

Gates / Barriers;

- When you move in from new we or the developer will either organise an entry key or will tell you the appropriate code to open the barrier.
 - Do not give this key out or tell the code to anyone you don't know.
 - If you forget the code ring us but be aware we won't just give it out over the phone – you will need to be able to prove who you are.
 - If you lose or misplace the key don't force your way through the barrier, just park up somewhere and then contact us. Entry keys can be replaced but they are expensive and we don't replace them free of charge. The cost differs from block to block, depending on the type of system, and can cost as much as £100 to replace.
 - We won't replace your key without a written request and note of how it has been lost [the block insurers may require this], proof of identity and payment in advance.
 - If you buy your flat "secondhand" make sure you collect the key from the vendor – you will be surprised how many people are unable to get access on the day they want to move in.
 - If you let your property make sure you charge a deposit sufficient to cover the cost of a key and make sure you get it back at the end of the tenancy. We will not issue new keys to tenants or your agents.
 - Do not force the barrier or gate. Although most of them are under a service contract this doesn't usually include damage repair. An average call out cost can be in the region of £200 plus parts, vat etc and the cost is simply added to the service charge budget putting up your costs.
 - We will only allocate one key per parking space [this may be a requirement imposed on us by the original developer or connected to a specific policy] If you have two cars or want to organise access for guests you will have to arrange to share the key.
 - If you have guests please make sure they don't park in someone else's space without agreeing that they may do so.
- If you have a party don't flood the car park with guest's cars and do tell your neighbours what you are doing [hopefully you will invite them!]
 - If, as happens on some occasions, you occupy the car park on a separate lease from your flat make sure you comply with the terms of that lease and if you sublet your flat make sure that your subtenants also comply.

Parking Control;

- A parking control policy will be in place because either the freeholder or the majority of lessees have asked for it to be implemented.
- We have no relationship with, or influence over, the company. Any dispute on parking fines must be referred to them direct.
- Whilst we have no influence over them we do have some say in the renewal of their contract. Whilst we only employ approved contracting companies on your behalf we do need to know if they treat you unfairly or illegally- if so tell us [in writing].
- If you move into the flat from new you will be issued with a pass and a guests pass either by us or the developer.
- You should make sure that you [and your guests] display the pass clearly at all times.
- If you buy your flat "secondhand" you should collect your pass and guest pass from the vendor. Please make sure you do – there is nothing worse than being ticked on the day that you move in and it has happened!
- If you lose your pass or guest pass you will be charged for their replacement. Again it differs from block to block depending on the time involved and you will be quoted a fee if you tell us you have lost either pass.
- We won't replace your pass without a written request and note of how it has been lost [the block insurers may require this], proof of identity and payment in advance.
- Make sure you get your guest pass back if you lend it to someone
- From time to time passes are changed en bloc. This is to avoid duplication and prevent illegal parking. When this happens we will write to you in good time and explain what is happening.

Door entry systems:-

- May be operated by a pass or number code.
- If you have a number code do not give out the number to anyone you or your neighbours wouldn't want to have it.
- If any work is carried out on the door entry system, unless it cannot be prevented, the code will remain the same. If it is changed for any reason all attempts will be made to notify you.
- Do not let people into the block that you don't recognise especially if they claim to have lost their keys, are meeting neighbours, etc
- Any contractor calling to the property should have identification and should be asked to show it.
- Remember there may be a tradesman button or release on key pads [to allow the postman and suchlike in at certain times] but always be aware of people you don't recognise in the building.
- Any breakdown in door entry systems should be reported to us immediately.
- If you have a pass the same comments above as to car park passes apply.
- Most video entry systems are connected to your television screen and are worth checking from time to time but remember that they do not necessarily provide a taped recording for security purposes.
- Vandalism is an increasing problem in this day and age and one that is unlikely to be dealt with by the authorities. The most effective way of dealing with it is preventive measures and systems. If you experience vandalism the most important thing in the first instance is information – what, when, where and by whom. Armed with this information a plan can be formed to take remedial steps.
- Remember we charge for lost fobs, keys and passes – sometimes out of proportion to what they appear to cost – we have to, to cover our administrative costs in helping you replace them. If you let, make sure your tenants know this.

Your security is important to us but you must recognise that much of it is in your own hands.

Don't let people in who you don't know and if in doubt call the police.

Leasehold

Frequently Asked Questions



1. Why is my flat leasehold ?

Principally for two reasons. Firstly because you may live in a communal environment and occupy subject to a lease which sets out the rights and responsibilities of all the parties to the lease. Secondly because the ground on which the flat is built may belong to someone else.

2. What is a lease ?

A lease is a formal legal document setting out the terms under which you may occupy your flat. It explains the rights and responsibilities of each party to the lease, the obligations of the parties to each other and the remedies if the terms of the lease are not observed.

3. Who are the parties to the lease ?

Often there are three parties to a lease. The first may be the freeholder who owns the land upon which the flat is built and to whom ground rent may be paid, the second may be a management company that is responsible for carrying out the running of the flats and the third you, the individual lessee. Sometimes there may only be two, the freeholder and the lessee.

4. What is ground rent ?

This is the payment you make for the right to use the land upon which the flat sits.

5. Can ground rents increase ?

This depends entirely on the terms of the lease. Typically older ground rents are more likely to be fixed for the term of the lease whilst newer ones tend to go up at intervals during the lease.

6. How long will I have to pay the ground rent ?

Again this depends on the term of the lease. Older leases tend to be for a term of 99 years from the start date and newer leases tend to be longer, maybe 125 years or more.

7. To whom do I pay the ground rent ?

Usually to the freeholder.

8. What is the management company ?

The management company is usually a company set up initially by the freeholder and subsequently taken over by the lessees which stands between the

freeholder and the lessees and which takes over the responsibility [on behalf of the lessees] for making sure that the property is maintained and looked after, properly occupied and properly run and complies with the terms of the lease. The management company is usually a proper company, registered at Companies House, with shareholders and directors [usually the lessees]. The company's books will be audited and annual returns made to Companies House.

9. Who owns the management company ?

The management company may initially be owned by the freeholder and then passed on to the flat owners and usually it will be owned by you and your fellow lessees. Each of you may have one share in the company and the company officers, such as the directors, will probably be flat owners – maybe even you yourself.

10. What does the management company do ?

The role of the management company is often to make sure that the day to day maintenance and running of the flats is carried out including such matters as making sure that the property is insured, that repairs are carried out, that common parts [halls/stairways/paths/car parks etc] are maintained and cleaned, that lifts are serviced and properly running etc. Leases often require that management companies accept these and other responsibilities and in turn oblige lessees to contract with management companies to be responsible for their individual share.

11. Does the management company organise this itself ?

Sometimes but often it employs a firm of managing agents to organise running the block on its behalf.

12. How does the managing agent pay the cost of running the maintenance ?

By the collection of a service charge from the individual lessees including you.

13. To whom does the service charge belong once I have paid it to the management company.

The management company, not the freeholder nor the managing agent, and it can only be used to pay bills properly incurred by the management company.

14. What if there is no management company?

Most modern leases require a management company although sometimes, particularly with older leases, service charges may have to be paid to the freeholders direct. The same rules apply and freeholders can only use service charges paid to them for rightful and proper expenses incurred in the running and maintenance of the property. Freeholders may also employ a managing agent to carry out the day to day running of the maintenance.

15. What exactly is maintenance?

It is difficult to be "exact" in defining maintenance however it is usually those matters that need to be dealt with in the proper day to day running of the building in which your flat is situated and which you occupy communally. Some of these are mentioned in 8 above and can be as diverse as making sure that car park barriers are working, dustbins are emptied, light bulbs are changed – all those day to day things that you would have to organise for yourself if you lived in a freehold property. It also usually includes repairs to the common parts and structure of the property where they are excluded from your lease.

16. How is the cost of maintenance calculated?

At some time usually when the flats are first built and then at periodic intervals afterwards – sometimes annually – a budget will be produced. Money values will be attributed to all items of expenditure that may be incurred in the day to day running such as electricity and water costs for the common parts, gardening, cleaning of common parts, refuse collection, window cleaning, insurance, audit fees, company house return costs, bank charges, managing agents fees, entry system maintenance, lift maintenance, fire extinguisher maintenance, repairs allowance, sinking fund costs for both interior and exterior. This list is not exhaustive and varies from property to property. The total is then divided between each flat on a pro rata basis and the resulting amount is the service charge attributable to that flat.

17. You mention a sinking fund. What is this ?

Many repairs accumulate slowly over a period of time, they don't just necessarily happen at the point at which they need doing. For example if the outside of a building needs repainting every five years it is reasonable to assume that it deteriorates by a fifth each year until it needs doing in the fifth year after it was first painted. Each year a fifth of the estimated cost of the repainting should be put aside to meet the cost when the work is done. This money put aside is the sinking fund. Although this is both a prudent and the correct way of budgeting, not all

budgets are structured in this way. Some make no allowance for sinking funds and, when works which would otherwise have been covered by the sinking fund are carried out, residents are asked to meet the cost of the work by single payment sometimes known as a supplementary demand.

18. How do I know the budget is correct ?

You don't – and they often aren't! Calculating the exact amount to be spent on a property is not an exact art. You are however entitled to a full explanation of what you are asked for, what you pay and how it is spent. Usually the service charge is audited annually and this audit should be made available for your inspection if you so wish. Transparency is all important.

19. What protection do I get to make sure my money is looked after and spent properly?

You should make sure that the agent handling your service charge is a member of a recognised body such as the Royal Institution of Chartered Surveyors. Not only will you then have the protection of the law but also the protection offered by the stringent rules governing the agent. You should make sure that your service charge payment is held in a separate client account with any interest earned accruing to the account.

20. What control do I have over payments that are made?

Most payments will be day to day and routine and you probably won't want to be involved in matters such as the cost of changing light bulbs for example because this obviously has to be done. You will, however, want some say in larger expenditure such as repairs and improvements, insurance and the like. In the case of substantial expenditure, and almost without exception, you have to have notice served on you prior to the work being carried out. The notice has to refer to comparable estimates, set out the costs and give you sufficient time to object [usually a month] if you don't agree to the works or their cost.

21. What control do I have over works that are carried out ?

Most works of a substantial nature should be the result of consultation and agreement and very often the payment issue comes after the works have been discussed at length. Sometimes works are imposed on lessees, perhaps because of the terms of the lease and the requirements of the freeholder [although in this case notice should still be served] or maybe through urgency. The best way to become fully involved in the way the block is run is to take on the role of director in the management company in those cases where one exists.

22. What if I don't like the way in which the property is being managed ?

Complain to the managing agents, tell them about your concerns and ask for an explanation about those matters that cause you concern. Involve your fellow flat owners and try to get a majority together to take over the management yourselves exercising your right to manage.

23. Is the right to manage often exercised ?

Not in our experience if the managing agent is doing the job properly. Sometimes the freeholder retains responsibility for management, depending on the terms of the lease, and may not manage to the lessees satisfaction – in this case the right to manage is an useful remedy if agreement cannot be reached.

24. Who insures the flats ?

This depends on the terms of the lease. Whatever happens you will pay the insurance premium, just as you would if you owned a freehold house and insured that. Usually the property is insured as a whole and the premium divided up in pre-agreed proportion [it is not always divided equally, sometimes larger flats such as penthouses will pay, fairly, a larger share of the premium]. Sometimes the insurance is included in the service charge, sometimes it is collected separately. The lease may provide for the landlord to insure and recover the cost from the lessees, it may provide for the lessees to insure through the management company with an underwriter of the freeholders choice or it may leave the lessees to insure providing that it is done properly. Whatever the terms it is essential that the insurance cover is for the right amount, with a proper insurance company of repute and at the right premium and it is important to make sure that this is the case.

25. What will the insurance cover ?

Again it depends on the terms of the policy but it will probably cover the actual structure of the property and associated risks. What it won't cover will be your own contents, cars, personal effects and similar such items and you will have to take out your own insurance to cover these. It won't cover fees relating to the handling of a claim, nor will your contents cover, and if you should be unfortunate enough to have a claim you should be aware of this if such a service is not included in your agents charges. Please note that it is important that you are aware of the extent of your insurance cover – don't just leave it to chance.

26. Am I allowed to sublet my flat ?

Probably, although once again it depends on the terms of the lease. Some leases expressly exclude subletting on any basis whatsoever although in a modern lease this is unlikely. Some leases exclude all subletting except for short term lets on a periodic basis – which is probably how most flat owners want to sublet anyway! But remember that if the lease excludes it and you still go ahead you will be in breach of the terms of your lease!

27. If I want to sublet my flat what should I do?

Essentially – read the lease to make sure that you can, apply for consent if you need to, notify the management company and the managing agents, make sure that the subletting is subject to the terms of your lease [attach a copy of your lease to the tenancy agreement and get the tenant to acknowledge it], let the property properly – take references, a deposit, credit check the tenants at the very least and meet them if using a letting agency, tell your neighbours, notify your insurers.....

Advisedly – let the property through an agent belonging to a recognised professional body such as The Royal Institution of Chartered Surveyors – after all rents are tax liable and agents fees are tax deductible.....!

28. What happens if I let my flat out and there are problems ?

A very high proportion of management problems arise when lessees let out their flats to short term tenants. No matter how responsible tenants may be, they never occupy flats in the same way as you do. There are exceptions but they can be few and far between – and it is obvious really because short term tenants can walk away from problems whereas in the main it is not so easy for a lessee. Problems are initially the responsibility of the lessee, either directly or through his letting agent, and should be resolved by communication between the parties. Sometimes matters go further than this and the management company or the freeholder may need to be involved. This can involve significant cost, particularly if solicitors or the managing agents are drawn into the dispute. An aid to settling all disputes is the simple issue of communication – if you have problems with your neighbours talk to them in the first instance to try and resolve whatever is the problem.

29. What advice would you give to anyone wanting to buy a leasehold flat ?

Read the lease! And if you don't understand it make sure that you use a Solicitor who will explain it to you in words that you understand or seek the advice of a Surveyor to explain it to you.

30. What is a Share Certificate ?

Not all leasehold flats have limited companies which look after the maintenance however if yours does it is likely that as a flat owner you will be a shareholder of the company. If so you will be issued with a share certificate when you purchase the flat. You may need to refer to the certificate from time to time particularly if you decide to sell the flat so we recommend that you keep the share certificate along with a copy of your lease in a safe place. If you are uncertain as to whether or not you should have a share certificate and you do not have one, check first of all from your lease whether or not there is a management company of which you are a member and then ask the solicitor who acted for you when you purchased the flat as they should have obtained the certificate for you.

Insurance

What you need to know.....



The RICS is an approved Designated Professional Body (DPB) Scheme.

Approval was granted by HM Treasury and enables RICS to regulate its members, on behalf of the UK Financial Services Authority (FSA), in respect of general insurance mediation activities.

1. Our actions in relation to the provision of insurance information is incidental to our management of the property. Under the DPB Scheme we undertake the following 'Regulated Activities';

a. Dealing in insurance contracts as agent. This may arise, for example, where a property manager concludes an insurance contract on a Client's behalf, or where an agent or representative acting for an insurance company commits the insurance company to providing insurance for a prospective policyholder.

b. Arranging (bringing about) deals in insurance contracts. A person brings about a contract of insurance if his involvement in the chain of events leading to the contract is important enough that, without it, there would be no policy. Examples include negotiating the terms of the insurance contract on behalf of the customer, or assisting in the completion of a proposal form and sending it to the insurer.

c. Making arrangements with a view to transactions in insurance contracts. This activity contrasts with the above activity in that it is not limited to instances where our involvement actually results in a contract being concluded. It includes the activities of persons that help policy holders fill in or check applications or where a person introduces Clients to an intermediary for advice or assistance.

We do not;

Assist in the administration and performance of a contract of insurance. i.e. administer insurance claims on behalf of clients.

Advise on insurance contracts i.e. provide detailed information on the suitability of insurance products or policies.

2. On renewal or at the start of a contract of insurance we will send the client a copy of the insurance schedule or renewal documents for their approval. At this time we will also notify them of any commission received from the broker. We will require the client to return a signed form accepting the new insurance policy along with acknowledging any commission.

3. In arranging and providing information to meet your insurance requirements we will either;

a. Approach our preferred Insurance broker Jelf Group PLC ; from whom we receive a commission based on the insurance premium. Details of the amount of commission will be disclosed and agreed with you beforehand.

b. Approach an Insurance broker of your choice, an administration charge of £50 + 3% of the premium, plus vat will be made. The commission obtained helps to cover the costs of arranging your insurance, collecting and paying premiums, as well as costs imposed on us for having to register with and report to the FSA/DPB, following their required rules and regulations.

Please note that we do not obtain any commission from any other contract taken out on behalf of our clients.

4. We are registered under the Data Protection Act 1998 and undertake to comply with the Act in dealing with your personal data. The information we hold may be shared with insurers, underwriters and other parties for the purpose of arranging insurance on your behalf. You have the right of access to any personal information held in our records.

5. We hold client money in the sense that we collect service charges which sometimes, but not always, include insurance premiums. We also hold rents from time to time to pay imminent or received insurance premium demands. Client monies are held in the case of service charge management in a separate client bank account per property and in the case of general management in a designated client account.

6. We may from time to time pay client money to another person such as an insurance company, underwriter or broker to enable us to insure your property on your behalf.

7. Whilst it is our intention to provide you with the highest level of service at all times we do allow for the fact that sometimes things go wrong. If you wish to make a complaint please request a copy of our complaints handling procedure.

8. This Firm is not authorised by the Financial Services Authority. However, we are included on the register maintained by the Financial Services Authority so that we can carry out insurance mediation activity which is broadly advising on, selling, and administration of insurance contracts. This part of our business, including arrangements for complaints or redress if something goes wrong, is regulated by the Royal Institution of Chartered Surveyors (RICS). The register can be accessed via the Financial Services Authority website www.fsa.gov.uk/register