



Department for Levelling Up,
Housing & Communities

Baroness Scott of Bybrook OBE

*Parliamentary Under Secretary of State for Social
Housing and Faith*

2 Marsham Street

London

SW1P 4DF

Your reference: ZA18241

Our reference: MC2024/06945

Catherine West MP
House of Commons
London
SW1A 0AA

17th April 2024

Dear *Catherine*,

Service charges

Thank you for your letter of 13 March to the Rt Hon Michael Gove MP, on behalf of your constituents, regarding service charges. I have been asked to reply.

The Government is committed to creating a fairer and more transparent housing system that works for everyone. Leasehold and commonhold reform supports our mission to level up homeownership by addressing the power imbalance at the heart of the leasehold system.

Individual leases set out what landlords can and cannot charge for, and how service charges are organised. The Government believes very strongly that any charges to leaseholders should be transparent and communicated effectively, and that there should be a clear route to challenge them if things go wrong. The law is clear that variable service charges must be reasonable. Where any costs relate to work or services, they must be of a reasonable standard.

If a leaseholder believes the service charge that they are being asked to pay is not reasonable, in the first instance they should raise this with their freeholder or managing agent. If the issue is unable to be resolved via this route, the leaseholder may wish to make an application to the appropriate tribunal (the First-tier Tribunal (Property Chamber) in England or the Leasehold Valuation Tribunal in Wales) who can make a legal determination on the reasonableness of the service charge. Information on how to do this (in England) can be found online at: www.gov.uk/government/publications/form-leasehold-3-application-for-a-determination-of-liability-to-pay-and-reasonableness-of-service-charges. If there has been a significant failure by a managing agent or landlord, section 24 of the Landlord and Tenant Act 1987 allows a leaseholder to apply to the appropriate tribunal asking it to appoint an alternative manager.

It is important to note before making an application, that under the terms of a lease, leaseholders may be liable to pay the legal costs of their landlord, regardless of the outcome before the appropriate tribunal. In some cases, this may lead to a leaseholder facing bills that are higher than the charges they were seeking to challenge in the first place. The Government is aware that this may deter some leaseholders from bringing a claim to the First-tier Tribunal. The Leasehold and Freehold Reform Bill sets out proposals to require landlords to apply to the relevant court or tribunal to pass any or all of their legal costs onto leaseholders; and give

leaseholders a new right to apply to the relevant court or tribunal to claim their legal costs from their landlord. The relevant court or tribunal will make a decision on applications that is just and equitable in the circumstances.

There are two Government approved codes of practice which outline best practice for managing agents, landlords or other relevant parties in relation to residential leasehold property management. Both documents can be taken into account as evidence at court and First-tier Tribunal hearings, including hearings on the reasonableness of service charges.

The two codes of practice are:

- Royal Institution of Chartered Surveyors Code of Practice, available online at: www.rics.org/uk/upholding-professional-standards/sector-standards/real-estate/service-charge-residential-management-code/
- Association of Retirement Housing Managers Code of Practice, which is available online at: www.arhm.org/publication-category/code-of-practice/

The Department cannot provide legal advice on specific cases. However, free information and advice is funded by the Department and provided by The Leasehold Advisory Service ('LEASE'). LEASE offers a comprehensive range of online resources, as well as a telephone and email enquiry service. LEASE can be contacted through their website at: www.lease-advice.org, via telephone on 020 7832 2500, or by email at: info@lease-advice.org. The Department has also created a 'How to Lease' guide that is available online at: www.gov.uk/government/publications/how-to-lease.

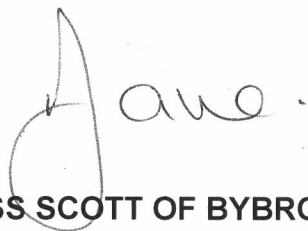
The Government is extending the benefits of freehold ownership to more homeowners. Reforms in the Leasehold and Freehold Reform Bill will help leaseholders to buy their freeholds and will end the sale of new leasehold houses so that, other than in exceptional circumstances, all new houses will be freehold from the outset.

For flats, the Government remains committed to reinvigorating commonhold, to give developers and homeowners a viable alternative to leasehold, should they choose it. In May 2021, the Government set up the Commonhold Council which is a group of property, legal, consumer and academic experts that advise the Government on how to prepare the market for a widespread new supply of commonhold flats. More information on the Council is available online at: www.gov.uk/government/groups/commonhold-council.

The Government has recently consulted on options to cap ground rents for existing leases. The Government consulted on five proposals to cap ground rent in existing leases, and asked questions about the impact of each of those caps and how to make a cap work in practice. That consultation closed on 17th January and the Government is currently considering the responses. Subject to the outcome of this consultation, the Government will look to introduce a cap through the Leasehold and Freehold Reform Bill, which is currently in Parliament. The Government will set out the next steps soon.

I appreciate you sharing the views of your constituents. Thank you again for your letter.

Yours ever,

A handwritten signature in cursive script that reads "Dawn". The letter "D" is large and loops around, with the rest of the name "awn" written in a fluid, connected style.

BARONESS SCOTT OF BYBROOK OBE