



**FIRST - TIER TRIBUNAL  
PROPERTY CHAMBER  
(RESIDENTIAL PROPERTY)**

**Case Reference** : **CHI/29UN/LSC/2019/0052**

**Property** : **Flat 2, 9 Carroways Place,  
Margate, Kent, CT9 1QX**

**Applicant** : **Bullingham Services Limited**

**Respondent** : **The Ground Rent Trusts Limited**

**Type of Application** : **Service and Administration  
Charges**

**Tribunal Members** : **Judge D Dovar**

**Date of Decision** : **31<sup>st</sup> October 2019**

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**DECISION**

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1. This an application by the leaseholder of the Property for the determination of the payability of service and administration charges for the years ending 2018 and 2019.
2. In its directions of 19<sup>th</sup> July 2019, the Tribunal notified the parties of its intention to deal with this matter without a hearing unless either requested a hearing, none has and this matter has been determined on the papers.
3. The Property is part of a converted building comprising 4 flats.
4. The first period challenged is that of 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019. In general the Applicant complains that none of the sums claimed are supported by vouchers, the costs are excessive (including the sinking fund), there has been no consultation on the expenditure and a challenge is made to the additional costs demanded by the Respondent for chasing arrears. Further, the Applicant contrasts the service charges (when there was a different landlord) of £415.78 to the demand in this year for £1,113.41.
5. For the year January 2018 to December 2018, similar complaints are made.
6. The Tribunal has been provided with:
  - a. Service Charge demands:
    - i. Dated 11<sup>th</sup> December 2017, for the year ending 2018, being an on account demand in the sum of £173.03;

- ii. Dated 26<sup>th</sup> November 2018, for the year ending 2019, being an on account demand in the sum of £788.41;
- iii. Dated 30<sup>th</sup> May 2019, for the year ending 2019, but which only claims £648.41 on account for that period as well as a £30 arrears letter charge.

b. A Statement of Budgeted Service Charge Expenditure:

- i. for the year ending 2018, in the sum of £1,730.29; the Applicant's 20% share being £173.03;
- ii. for the year ending 2019, in the sum of £7,884.10; the Applicant's 10% share being £788.41;

- 7. The Tribunal has also been provided with the Respondent's predecessor's charges, which, in respect of service charges, amount to around £900 for insurance, common part electricity and administration charge, with the Applicant's share being £90.78.
- 8. The Respondents have failed to engage in this application, neither participating in the telephone hearing held on 19<sup>th</sup> July 2019, nor providing any response to the application. The contact details provided for the Respondent are those that appear on the service charge demands. It is also noted that parallel to this application, the acquisition of the right to manage has been pursued under the Commonhold and Leasehold Reform Act 2002. That may explain the Respondent's lack of engagement.

9. The service charges which are being challenged are on account demands, by their nature, no expenditure has been incurred. It is therefore not surprising that no vouchers have been provided to support them. A common approach to evaluating such demands is to consider the previous years actual expenditure as a good indication of the forthcoming year and make adjustment upwards for any additional costs that are anticipated or downwards for any costs that are not thought to recur in the year ahead. The absence of any response from the Respondent or any details of actual expenditure incurred makes it difficult for the Tribunal to assess whether these sums were reasonable under s.19(2) of the Landlord and Tenant Act 1985; the section which caps the level of on account demands to a reasonable level.
10. The main evidence that assists is the demand from the Respondent's predecessor for the year ending 2017. From that it can be seen that the service charge costs (which appear to be actual costs) are:
  - a. Insurance, £549.49; and
  - b. Common parts electricity, £239.90; and
  - c. An administration charge of 15% of expenses, £78.94 (this is in addition to the £125 payable by the Applicant as a fixed charge under clause 2 (f) (i)).
11. In terms of the sum sought for the year ending 2018, that does not appear to be outside a range of what could be considered reasonable. Whilst insurance is higher at £854.60, electricity is less at £150. The

management fee of £225.69 for four flats is modest and £500 for general maintenance is a sensible figure. It needs to be borne in mind that these are on account figures, the sums collected are held on trust for the tenants until defrayed. Further they are to be viewed on an optimistic basis; i.e. on the assumption that the work proposed will be carried out to a reasonable standard.

12. In the absence of any evidence of either actual expenditure for the year end 2018 or other explanation as to how the sum has been arrived at, the budgeted amount for the year end 2019 appears high. In particular, there is no reason why general maintenance has doubled to £1,000, nor the basis for a sinking fund of £3,750, or the almost trebling in the management fee to £724.50, or the need for bank charges of £30, or the level of fee for an insurance reinstatement cost assessment of £1,200 (which is usually a desktop exercise). The figure of £175 for health and safety seems sensible. In that respect for that year, the Tribunal allows the following:

- a. Electricity £150;
- b. General maintenance £500;
- c. Health and safety £175;
- d. Management Fee £225.69;
- e. Insurance, £854.60.

13. The lease does not provide for additional administration fees in respect of arrears letters and so those sums are not allowed.

14. In light of the above, the Tribunal determines that:
  - a. For the year ending 2018, £173.29 is payable by the Applicant in respect of on account service charges; and
  - b. For the year ending 2019, £190.54 is payable by the Applicant in respect of on account service charges (being 10% of the total of those figures set out at paragraph 12 above).
15. The Tribunal does not have jurisdiction to deal with either ground rent or the fixed amount of £125 a year which has been demanded under clause 2 (f)(i).
16. The Applicant has also made an application under s.20C of the 1985 Act to restrict the recovery by the Respondent of the cost of this application through the service charge. The tenants of flats 1, 3 and 4 have also been included in that application, but it is not clear that they have authorised the Applicant to make that application on their behalf.
17. The Tribunal makes a s.20C order prohibiting the Respondent from seeking any costs of this application through the service charge. Not only has the Respondent wholly failed to engage, but the Applicant has made deductions for the year end 2019. That order is made in favour of the Applicant and if those other leaseholders have authorised the Applicant to make that application on their behalf as well, then that order extends to them as well.
18. The Applicant also seeks reimbursement of the application fee £100. In light of the deductions made above and the total failure of the

Respondent to engage, an order is made that the Respondents shall pay the Applicant £100 on or before 5pm on 18<sup>th</sup> October 2019.

JUDGE D DOVAR

## **Appeals**

A person wishing to appeal this decision to the Upper Tribunal (Lands Chamber) must seek permission to do so by making written application to the First-tier Tribunal at the Regional office which has been dealing with the case.

The application must arrive at the Tribunal within 28 days after the Tribunal sends to the person making the application written reasons for the decision.

If the person wishing to appeal does not comply with the 28-day time limit, the person shall include with the application for permission to appeal a request for an extension of time and the reason for not complying with the 28-day time limit; the Tribunal will then decide whether to extend time or not to allow the application for permission to appeal to proceed.

The application for permission to appeal must identify the decision of the Tribunal to which it relates, state the grounds of appeal, and state the result the party making the application is seeking.