



A guide for freeholders and management companies

Block and Estate Management

The legal work a freehold company
is asked for on every sale

What a sale demands of you

A flat in your building is being sold. Within days the buyer's solicitor will want an enquiries pack, three years of accounts, an insurance schedule, a deed of covenant, possibly a licence to assign, and a certificate without which the buyer cannot be registered at all.

None of it is optional, most of it is on a timetable set by somebody else, and a good deal of it carries legal consequences for the company if it is done badly or late. For a freehold company run by two leaseholders in their own time, that is a demanding position to be in.

This guide sets out what is asked for, why, what you may charge for it, and where the exposure lies. It is written for freeholders, resident management companies, right to manage companies and their agents — and it will be useful to a leaseholder who wants to understand why their sale has stalled.

THE ESSENTIALS

LPE1 the enquiries form the landlord or management company completes on every leasehold sale

Restriction the entry on the title that prevents a buyer being registered without your certificate

1996 the year that changed who remains liable on the covenants after an assignment

Reasonable the only administration charge that is payable — and the Tribunal decides what is

Damages the remedy against a landlord who unreasonably delays consent to an assignment

Five days the window in which a landlord may have to act on a building safety certificate

Written for freeholders, resident management companies, right to manage companies and managing agents, and for leaseholders trying to understand what their landlord has been asked to produce.

What happens, and in what order

Almost every leasehold sale follows the same path. Knowing where you sit in it is the difference between a company that is chased and a company that is not.

01

The enquiries pack is requested

WEEK ONE

The seller's solicitor asks the landlord, the management company or the managing agent to complete the LPE1 enquiries form and supply the supporting documents. Everything else in the transaction waits on this.

02

The buyer's solicitor raises further enquiries

WEEKS TWO TO FOUR

Gaps in the pack, missing consents for alterations, unexplained service charge increases, arrears, and anything the accounts do not explain. This is where undocumented history surfaces.

03

Consents and deeds are prepared

BEFORE EXCHANGE

A licence to assign where the lease requires consent, a deed of covenant from the buyer, and any retrospective consent for works carried out without permission.

04

Completion, notices and the certificate

ON AND AFTER COMPLETION

Notice of assignment and of any charge is served with the prescribed fee, a certificate of compliance is issued so the buyer can be registered, and any share in the freehold company is transferred.

THE COMPANY CONTROLS THE TIMETABLE MORE THAN IT REALISES

Nothing in the chain can complete until the pack is out and the certificate is given. A company that responds in a week is invisible; one that takes six is the reason a chain collapsed, and will hear about it from every leaseholder in the building.

03 • THE MANAGEMENT PACK

LPE1, LPE2 and FME1

The industry has standardised these enquiries, which is a considerable improvement on the correspondence that preceded it. The forms are long, but they are predictable — and a company that keeps the underlying documents current can complete one in an afternoon.

Form	Who completes it	What it covers
LPE1	The landlord, management company or managing agent	Contact details, ground rent, service charges, accounts, insurance, consents, disputes, works, building safety
LPE2	The seller	The leaseholder's own knowledge: alterations, disputes, charges paid
FME1	The management company on a freehold estate	The equivalent enquiries where a house is subject to estate management and a rentcharge

What has to go with it

- Three years of service charge accounts, the current budget, and the reserve fund position.
- The buildings insurance policy and schedule, evidence the premium is paid, and details of claims.
- Any deeds of variation, licences to alter, licences to assign and previous certificates of compliance.
- Notices served under the lease, details of any disputes, arrears or forfeiture proceedings.
- Fire risk assessment, asbestos survey and health and safety documents, and the building safety information the form now requires.

ACCURACY IS NOT MERELY GOOD PRACTICE

The replies are relied upon by a buyer and their lender. A pack that understates arrears, omits planned major works or fails to mention a dispute can expose the company and its directors to a claim from a buyer who relied on it. Where the answer is not known, say so — an honest "not known" is safe; a confident guess is not.

Why the buyer must sign one

Most leases require an incoming leaseholder to enter into a direct covenant with the landlord, and often with the management company as well. It is a short document with a specific purpose.

What it is for

The management company is frequently not the landlord, and may have no direct contractual relationship with the incoming leaseholder at all. A deed of covenant creates one, so that the company can enforce the service charge and the other covenants against the person who now owns the flat rather than against a predecessor who has left.

It also lets the company confirm, in the same document, that the buyer becomes a member of it where the lease provides for that.

The date of the lease matters here. For leases granted before 1996, the original leaseholder generally remains liable on the covenants for the whole term, whatever happens afterwards. For leases granted from 1996 onwards, an outgoing leaseholder is released on a lawful assignment – so without a deed of covenant from the buyer, the company may find it has nobody to sue.

Practical points

- Keep a standard form. Drafting one from scratch on each sale is why the fee looks disproportionate to the work.
- Check whether the lease requires the deed to be given to the landlord, the company, or both – and whether it is a precondition of a valid assignment.
- An assignment completed without the required deed is a breach of covenant, and the certificate of compliance should not be given until it is in place.

What the deed should contain

- A covenant by the buyer to observe and perform the leaseholder's covenants for the period of their ownership.
- Where the lease provides for it, agreement to become a member of the management or freehold company.
- An indemnity to the company, and an obligation to pay its reasonable costs of the deed.
- Confirmation that the deed does not waive any subsisting breach – because signing it should not absolve the buyer of a predecessor's unremedied default without the company saying so deliberately.

Consent to the sale itself

Not every lease requires consent to an assignment, but where it does the position is materially different from consent to alterations — and considerably more dangerous for a landlord who takes its time.

The statutory duty

Where a lease requires consent to an assignment and the leaseholder applies in writing, the Landlord and Tenant Act 1988 imposes a duty on the landlord to give consent within a reasonable time unless it is reasonable not to, to serve written notice of the decision with reasons, and — critically — makes the landlord **liable in damages** for breach of that duty.

That is the opposite of the position on alterations, where the 1988 Act does not apply and there is no damages claim. A freehold company that leaves a licence application in a drawer for two months is not merely unhelpful; it is exposed.

Grounds likely to be reasonable

- Service charge or ground rent arrears, or a subsisting breach of covenant not yet remedied.
- Genuine doubt about the buyer's ability to meet the service charge, supported by references rather than assumed.
- An intended use that would breach the lease.

Grounds likely to be unreasonable

- A dispute with the seller that has nothing to do with the assignment, or a wish to extract a payment or variation the lease does not provide for.
- Delay, or silence. Under the 1988 Act, failing to decide is itself a breach of duty.

What a landlord may properly require

References for the buyer, evidence that arrears have been cleared, remedy of any subsisting breach, and an undertaking for the reasonable legal costs of the application — the 1927 Act expressly preserves the right to reasonable expenses. What a landlord may not do is treat the application as a chance to obtain something the lease does not give it.

THE DRILL THAT KEEPS A COMPANY SAFE

Acknowledge in writing within days and say what you need. Decide within a reasonable time. Give the decision in writing, with reasons if it is a refusal. Keep the correspondence. A company that does those four things is difficult to criticise even if its decision turns out to be wrong; one that does none of them is exposed even if it was right.

The document that controls registration

This is the most powerful piece of paper a freehold company issues, and the one most often misunderstood by the people who have to sign it.

Why the buyer cannot be registered without it

Many leasehold titles carry a restriction requiring a certificate — from the landlord, the management company or their conveyancer — confirming that the provisions of the lease governing an assignment have been complied with. Until that certificate is given, HM Land Registry will not register the buyer as proprietor.

The practical effect is that the company holds the final step of the transaction. That is a responsibility rather than a bargaining chip: a certificate should be given promptly once the requirements have actually been met, and withheld only because they have not been.

Do not certify what you have not checked, and do not withhold what you cannot justify. Certifying compliance when the deed of covenant has not been given, or the notice fee has not been paid, undermines the company's own protection. Withholding a certificate to apply pressure over an unrelated dispute invites a complaint and, where the delay causes loss, worse.

What to check before signing

- The deed of covenant has been executed by the buyer and a copy is held.
- Notice of assignment, and of any charge, has been served with the fee.
- Any licence to assign required by the lease has been granted.
- Any share in the company has been transferred and the register updated.

Read the restriction, not just the lease

The wording of the restriction on the title governs who may certify and in what terms. Some require a certificate from the landlord or the management company; some will accept one from a conveyancer. Some refer to compliance with a specific clause, others to the provisions of the lease generally. Signing a certificate in the wrong terms is as unhelpful as not signing one, because the Land Registry will reject it and the transaction will come back.

IF A CERTIFICATE WAS GIVEN WRONGLY IN THE PAST

It happens: a certificate issued years ago when no deed of covenant was ever taken, so the company has no direct covenant from a leaseholder it has been billing ever since. It is worth identifying and putting right at leisure, because the moment it is discovered will otherwise be during a sale.

The administration that follows

The paperwork after completion is unglamorous and it is what keeps a building governable. A company that lets it slide finds out two sales later.

Notices of assignment and charge

Most leases require notice of an assignment, and of any mortgage, to be given to the landlord within a set period, with a fee. The notice is what tells the company who now owns the flat and who to send demands to. It is also, in practice, the trigger for updating everything else.

The registers a company must keep

- **Leaseholders.** Who owns which flat, from what date, at what address for service, and with which lender.
- **Members and shares.** Who holds which share, with the certificates and the stock transfer forms filed. A share that never followed the flat is a problem for every future sale.
- **Consents.** A log of every licence to alter and every licence to assign granted, with the deed. This is the single record that saves the most time on future sales.
- **Deeds of variation.** Because a lease that has been varied is not the lease in the deeds packet, and the buyer's solicitor will want both.

WHERE THE LEASEHOLDERS OWN THE FREEHOLD

The share and the flat must move together. Well-drafted articles require an outgoing member to transfer their share to the buyer and give the directors the means to compel it. A former leaseholder still holding a share in a building they left years ago is a problem the company created for itself.

The address for service, and why it matters

A landlord must give leaseholders an address in England or Wales at which notices may be served. Until it does, ground rent and service charges are not lawfully payable — so a company that changes agents, or whose registered office follows a director who has moved away, can find that it has quietly suspended its own right to be paid.

The same applies on a change of landlord, where every leaseholder must be notified of the assignment. Both are cheap to get right and expensive to overlook.

The certificates nobody expected

The Building Safety Act 2022 added a further layer to leasehold sales, and it is the part of the enquiries form that most often catches a freehold company unprepared.

What the enquiries now ask

The LPE1 form was revised after the 2022 Act and now asks whether a leaseholder deed of certificate has been served, whether the landlord has provided a landlord's certificate in response, and whether there is any outstanding enforcement action relating to building safety. A buyer's lender will want clear answers.

Why the deadlines matter

The leaseholder protections regime works through certificates that establish whether a lease qualifies for protection from remediation costs. Where a landlord becomes aware that a leaseholder intends to sell, it may have only a matter of days to require a deed of certificate, and a limited period thereafter to provide its own.

The consequence of missing those deadlines can be severe: a landlord that fails to provide a landlord's certificate when required may lose the ability to recover remediation costs from leaseholders altogether. For a small freehold company facing a remediation bill, that is not an administrative slip.

IF YOUR BUILDING MAY HAVE A RELEVANT DEFECT

Do not treat the building safety questions on an enquiries form as routine. Where the building is over eleven metres or five storeys, or has any known cladding or fire safety defect, the certificates and the deadlines should be dealt with by somebody who knows the regime — before a sale makes them urgent.

This is an area where the cost of advice is trivial against the cost of losing a right to recover.

And who the accountable person is

Where the building is a higher-risk building, the freehold company is likely to be the accountable person, or the principal accountable person, with duties to assess and manage building safety risks and to hold a safety case. Those duties sit with the company and its directors, not with the managing agent, whatever the management contract says.

A buyer's solicitor will increasingly ask about them, and a lender will want to know that somebody has taken them seriously. Our guide to owning your freehold covers what the role involves.

What you may charge, and what you may not

Every item in this guide can properly be charged for. What a company may not do is charge whatever it likes, and the constraint is a statutory one rather than a matter of goodwill.

01

What is chargeable

Completing the enquiries pack, preparing a deed of covenant, considering and granting a licence to assign, receiving notices of assignment and charge, issuing a certificate of compliance, and transferring a share. Each is a service, and each properly attracts a fee.

02

The limit on it

In a long residential lease these are administration charges. They are payable only to the extent that the amount is reasonable, and a leaseholder can apply to the First-tier Tribunal for a determination. A fee is not beyond challenge because it appeared on a completion statement.

03

The paperwork requirement

A demand for an administration charge must be accompanied by a summary of the leaseholder's rights and obligations in the prescribed form. Without it, the leaseholder may withhold payment – which is a common and entirely avoidable reason for a company not being paid.

04

What is not chargeable

Costs the lease does not permit you to recover, and costs of the company's own enfranchisement or right to manage disputes, which cannot be passed through the service charge. Nor can a fee be used to extract something the lease does not entitle you to.

PUBLISH A SCHEDULE

Companies that attract fewest complaints publish a short, dated schedule of fees and hand it over with the pack. It removes any suspicion that the figure was invented for the occasion. Reform is heading the same way: the Government has committed to standardising these documents and constraining the charges and timescales attached to them.

Why sales stall, and how not to

In our experience the same handful of things hold up leasehold sales, and almost all of them are fixable months before anybody puts a flat on the market.

What causes the delay

- **Nobody knows who holds the papers.** The lease, the deeds of variation, the consents and the registers are with a former director, a former agent, or nowhere.
- **Alterations were never documented.** Works consented to informally, or not at all, and now a buyer's solicitor wants evidence that does not exist.
- **Accounts are not certified or not prepared.** Three years of accounts is a standard requirement, and a company that has not produced them cannot answer the pack.
- **A share never followed a flat.** So the seller cannot transfer what they do not hold, and the buyer cannot become a member.
- **Directors are volunteers with day jobs.** Entirely understandable, and the reason to delegate the transactional work rather than absorb it.

What a well-run company keeps ready

- A current register of leaseholders, members and shares, and a log of every consent granted.
- Standard forms: deed of covenant, licence to assign, certificate of compliance, notice acknowledgement.
- The last three years' certified accounts, the current budget and the reserve fund position.
- The insurance schedule, fire risk assessment and building safety documents, reviewed annually.
- A published schedule of fees, and a single named contact for conveyancing enquiries.

AN HOUR A YEAR, ONCE A YEAR

Accounts certified. Insurance reviewed and the schedule filed. Registers of leaseholders, members and shares brought up to date. Consents logged. Fee schedule refreshed and dated. Building safety documents checked. Address for service confirmed as current.

Done annually, that is a short meeting. Done reactively, in the middle of somebody's sale, it is the reason a chain falls through.

Why instruct Arcadia Law

This work is high volume, low value per item and unforgiving of delay – which is precisely why it sits badly with volunteer directors and well with a firm that does it every week.

Arcadia Law acts for freeholders, resident management companies, right to manage companies and managing agents across the transactional work a building generates, and for leaseholders on the other side of it. We know what a buyer's solicitor will accept, and what they will keep asking for.

How we work

- **We take the transactional load.** Enquiries packs, deeds of covenant, licences to assign, certificates of compliance, notices and share transfers, on a turnaround your leaseholders will not complain about.
- **Standard documents, drafted once.** A set of forms tailored to your leases, so that each sale is administration rather than legal drafting – which is what keeps the fees proportionate.
- **We tidy up the history.** Missing consents, undocumented alterations, shares that never transferred, and leases that have drifted apart. Better done between sales than during one.
- **Senior oversight, proportionate cost.** Routine items handled by our paralegal team under senior supervision, so a certificate does not cost what a lease extension does.
- **And the difficult ones.** Building safety certificates, retrospective consents, arrears and forfeiture, and the sale that has already gone wrong.

WHAT WE SAY TO MANAGEMENT COMPANIES

The transactional work is not the interesting part of running a building, and it is the part that generates every complaint. Delegating it is usually cheaper than absorbing it, because the fees are recoverable from the leaseholder selling – and a company that answers a pack in a week is one that nobody in the building has cause to write to.



Arcadia Law is a member of the Association of Leasehold Enfranchisement Practitioners.

Where to start

Whether you have a sale in progress or want to be ready for the next one, the starting point is the same.

01

Send us a lease and tell us about the building

A SHORT CALL, AT NO COST

How many flats, who the landlord and the management company are, whether the leases are consistent, and what documents you actually hold.

02

We tell you what is missing

WITHIN A FEW DAYS

What a buyer's solicitor will ask for, what you can charge, what you do not have, and what should be put right before the next sale rather than during it.

03

We handle it, or hand you the tools

WHICHEVER SUITS

Either we take the transactional work as it arises, or we prepare the standard documents and the fee schedule and leave you to run it.

SPEAK TO US

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