



A guide for freeholders and management companies

Landlords and Management Companies

The legal work of running a building, for
resident freehold and management companies

01 • AT A GLANCE

You are the landlord now

Most of the companies we act for are run by two or three leaseholders who volunteered. They did not set out to become a landlord, and nobody handed them a list of what that involves.

It involves a good deal. A resident freehold company or management company carries the same obligations as any commercial landlord — repairing, insuring, consulting, accounting for money held on trust, enforcing covenants — and the same exposure when it gets them wrong. The difference is that a commercial landlord has a department for it.

This guide sets out the obligations, the deadlines that carry real consequences, and the points at which companies most often come unstuck. It is written for directors rather than for lawyers, and it assumes you have a day job.

THE FIGURES THAT BITE

£250	the per-leaseholder threshold above which consultation on works becomes compulsory
£100	the equivalent annual threshold for a long-term agreement such as a maintenance contract
18 months	the period within which costs must be notified, or they cannot be recovered at all
Prescribed	the form a ground rent demand must take, and the summary a service charge demand must carry
Determine d	what a breach must be before forfeiture can be contemplated
On trust	how service charge money is held — it is not the company's money

Written for resident freehold companies, resident management companies and right to manage companies in England and Wales. The thresholds above are those current at the date of this guide.

The obligations in outline

Everything below comes either from the leases or from statute. The leases vary; the statutory obligations do not, and they apply whether or not the directors have read them.

From the leases

- Repairing and maintaining whatever the leases make the landlord responsible for — commonly the structure, the roof, the common parts and the services.
- Insuring the building to full reinstatement value, and applying insurance money properly when a claim is made.
- Providing the services the leases specify, and only those the leases permit you to charge for.
- Enforcing leaseholders' covenants — and where the leases contain a mutual enforcement covenant, doing so for the benefit of the others.

From statute

- Consulting before major works and before entering long-term agreements, on pain of losing the right to recover.
- Demanding service charges and ground rent in the correct form, and holding the money on statutory trust.
- Notifying costs within eighteen months of incurring them.
- Building safety duties where the building is within the regime, which sit with the company and not with the agent.
- Keeping the company itself in good standing at Companies House — a separate subject, covered in our guide to owning your freehold.

Delegating to a managing agent does not transfer the obligation. A good agent will discharge most of this for you, and is usually money well spent. But the duties remain the company's, the liability remains the company's, and the directors remain answerable for whether they were performed.

Demanding money properly

More service charge disputes are lost on the demand than on the substance. A charge that is entirely reasonable can be irrecoverable because of how it was asked for.

Four requirements before money is payable

- **The lease must permit it.** You can only recover what the lease allows, in the proportions it specifies. A cost that falls outside the service charge clause is the company's to bear, however sensible the expenditure.
- **It must be reasonably incurred.** Charges are recoverable only to the extent reasonably incurred, and works only if to a reasonable standard. A leaseholder can ask the Tribunal to decide.
- **The demand must carry the prescribed summary.** A service charge demand must be accompanied by a summary of the leaseholder's rights and obligations in the prescribed form. Without it, payment may lawfully be withheld.
- **Ground rent needs its own notice.** Ground rent is not payable at all unless demanded by notice in the prescribed statutory form. A reminder letter is not a demand.

THE EIGHTEEN-MONTH RULE

Costs incurred more than eighteen months before they are demanded cannot be recovered, unless the leaseholders were notified in writing within that period that the costs had been incurred and that they would be required to contribute.

That notification is cheap and easy. Companies lose substantial sums by not sending it — most often where a major works project overran and the final account arrived late.

The money is not yours

Service charge contributions are held on statutory trust for the leaseholders. They should sit in a designated account, be used only for the purposes the leases permit, and be accounted for. A company that runs its service charge through a general account, or borrows from a reserve fund to meet a shortfall elsewhere, is not merely being informal.

Section 20 consultation

This is the single most expensive obligation to get wrong, and the one most often discovered too late. For a small resident-run company the consequence can be existential.

When it applies

- **Qualifying works** where any one leaseholder's contribution will exceed £250, including VAT. It is measured on the share the largest-paying leaseholder bears, not on an average.
- **Qualifying long-term agreements** lasting more than twelve months, where any one leaseholder's contribution will exceed £100 in any year – a cleaning contract, a lift maintenance agreement, or a management contract.
- **Works under an existing long-term agreement** where any one leaseholder will pay more than £250, which requires a further consultation of its own.

What the process involves

For most works it is a two-stage exercise: a notice of intention describing the works and inviting observations, with at least thirty days to respond and the right for leaseholders to nominate a contractor; then a notice of estimates setting out at least two estimates, with a further thirty days. Observations must be considered and responded to. In practice allow ninety days from start to finish.

If you do not consult, you cannot recover more than £250 per leaseholder. On a £90,000 roof across eight flats that is the difference between recovering the cost and absorbing it. For a company with no assets beyond the freehold, absorbing it is not possible – which is how resident management companies become insolvent.

If it is already too late

The Tribunal can dispense with the consultation requirements, and does so more readily than companies expect. The question it asks is not whether the process was followed but whether the leaseholders were prejudiced by the failure. An application is far better than hoping nobody notices – and it should be made before the demand goes out, not after it is challenged.

Recovering what is owed

A building with arrears cannot fund itself, and the other leaseholders end up carrying the shortfall. Recovery is legitimate and often necessary — but it starts with checking your own paperwork.

The order to do things in

- **Check the demand.** Correct party, correct form, prescribed summary, correct proportion, within the eighteen months. If the demand was defective, serve a good one before doing anything else.
- **Ask, then write formally.** A surprising proportion of arrears are administrative — a changed address, a standing order that lapsed, a leaseholder who never received the demand.
- **Then proceed.** County court recovery for the debt, or an application to the Tribunal where payability itself is disputed. Interest and costs only if the lease provides for them.
- **Tell the lender.** Where the flat is mortgaged, notifying the lender is frequently the most effective step available, because a lender will often pay and add the sum to the mortgage.

FORFEITURE IS NOT THE FIRST ANSWER, AND RARELY THE RIGHT ONE

A landlord cannot forfeit for unpaid service charges or administration charges unless the amount is agreed, admitted or determined by a court or Tribunal. There is also a financial threshold: forfeiture is not available unless the unpaid sum exceeds £350, or includes an amount that has been outstanding for more than three years. Both figures are prescribed by regulation.

Even where the threshold is met the process is slow, the court has a wide discretion to grant relief, and a lender will almost always intervene. Forfeiture also faces abolition: the draft Commonhold and Leasehold Reform Bill proposes replacing it with a different enforcement scheme. Treat it as a long-stop, not a lever.

What you may add, and what you may not

Interest is recoverable only if the lease provides for it. An administration charge for chasing arrears must be reasonable in amount, and a leaseholder can ask the Tribunal to say what is. Legal costs are recoverable only where the lease permits, and even then a leaseholder can apply for an order that the company's litigation costs are not to be treated as relevant costs for the service charge — so a company that adds its solicitors' fees to everybody's bill may find it cannot.

When a leaseholder will not comply

Short lets, pets, noise, undocumented alterations, obstruction of the common parts, subletting in breach. These are the disputes that make being a director unpleasant, and they need handling in a particular order.

You need a determination first

For a breach other than non-payment, a landlord cannot serve the notice that precedes forfeiture unless the leaseholder has admitted the breach or a court, Tribunal or arbitral tribunal has determined that it occurred. In practice that means an application to the First-tier Tribunal for a determination of breach – which is also, usefully, the point at which many leaseholders comply.

The remedies that actually work

- **An injunction.** Where the breach is continuing – a short-let operation, an unauthorised structural alteration – an injunction is more useful than any forfeiture threat, and the court can order the position to be restored.
- **Damages.** Where the breach has caused loss to the company or to the building.
- **A determination of breach,** which puts the position beyond argument and frequently resolves matters without anything further.
- **A negotiated licence or variation.** Sometimes the sensible outcome is to document what has happened on proper terms rather than to undo it – see our guides to licences to alter and deeds of variation.

Short lets: read the covenant before acting

Almost every long lease requires the flat to be used as a single private residence, and many prohibit business use or subletting for short periods. Whether a short-let operation breaches your leases is a question of the wording, not of how irritating it is – but where it does, the breach is usually continuing and clear, which makes it one of the more straightforward things to enforce. Planning restrictions may apply separately, particularly in London.

ENFORCE CONSISTENTLY, OR EXPECT TO BE ASKED WHY

A company that has tolerated a breach for years, or permitted it for one flat, will find it harder to act against another. Where the leases contain a mutual enforcement covenant, the company may also be obliged to the other leaseholders to enforce – and may be in breach to them if it authorises something the leases prohibit.

The transactional work

Every sale in the building generates a set of documents the company must produce, and several of them carry deadlines and liabilities. This is covered in detail in our guide to block and estate management; what follows is the shape of it.

01

Licences to assign

Where the lease requires consent to a sale, the Landlord and Tenant Act 1988 obliges you to decide within a reasonable time, to give written reasons, and makes the company liable in damages if it does not. Delay is itself a breach of duty. This is the item that most often exposes a volunteer-run company.

02

Deeds of covenant

For leases granted from 1996, an outgoing leaseholder is released on a lawful assignment — so without a direct covenant from the buyer the company may have nobody to enforce against. A standard form, used consistently, is what keeps the cost of these proportionate.

03

Certificates of compliance

Where the title carries a restriction, the buyer cannot be registered until the company certifies compliance. Give it promptly once the requirements are met; do not withhold it over an unrelated dispute, and do not certify what you have not checked.

04

Notices, registers and shares

Notice of assignment and charge, the register of leaseholders and members, the share transfer, and a log of every consent granted. The registers are what make future sales quick, and the absence of them is what makes them slow.

ALSO ROUTINELY ASKED OF YOU

Licences to alter, retrospective consents for works nobody documented, deeds of variation where a lease is defective, references for a leaseholder's lender, and copies of everything from the insurance schedule to the fire risk assessment. Each has its own guide in this series.

When leaseholders exercise their rights

A notice arrives and there is a deadline on it. Whichever claim it is, the first step is the same: establish what it is, when the response is due, and diarise it before doing anything else.

What arrives	What it seeks	Your position
Section 42 notice	A ninety-year lease extension at a peppercorn rent	You must serve a counter-notice by the date specified; you cannot refuse a qualifying claim
Section 13 notice	Purchase of the freehold by the leaseholders together	The building may pass out of your ownership; consider leasebacks and the price
RTM claim notice	Transfer of management, not ownership	Management passes to the RTM company; you keep the freehold
Request to vary	A change to one or more leases	You are not obliged to agree, but check any mutual enforcement covenant first

What a claim costs you, and what you can recover

Under the law as it stands, a leaseholder bringing a lease extension or enfranchisement claim pays the landlord's reasonable costs of investigating the claim, valuing the interest and conveying it – but not the costs of negotiating the price or of any Tribunal proceedings. That is why a counter-notice and a valuation should be obtained promptly: those costs are recoverable, and the ones incurred arguing are not.

The 2024 Act will change this, so that each party bears its own process costs in most cases. It is not yet in force. For right to manage claims, however, cost recovery was already restricted with effect from March 2025.

If the company itself wants to sell

A resident freehold company that decides to dispose of the freehold must generally offer it to the qualifying leaseholders first, under the right of first refusal. Failing to do so is a criminal offence, and the leaseholders can require the buyer to transfer the interest to them at the price paid. It catches companies that thought a sale between themselves was a private matter.

The company, the cover and the building

Three things that have nothing to do with the leases and everything to do with whether the directors sleep well.

The company

Confirmation statements, annual accounts and identity verification at Companies House. A company that stops filing is eventually struck off, and on dissolution the freehold vests in the Crown. Every director and person with significant control must now verify their identity, and the transition period closes in November 2026. Our guide to owning your freehold covers this in full.

The cover

- Buildings insurance to full reinstatement value, in the company's name, with the schedule available to leaseholders on request.
- Directors' and officers' liability cover. Volunteers making decisions about six-figure works should not be doing so uninsured.
- Public liability, employer's liability where anybody is engaged, and terrorism cover where the lease or the location requires it.

The agent, and what the contract should say

A management agreement should set out what is delegated and what is not, the limits of the agent's authority to spend, how consultation and demands will be handled, what happens to the money and records on termination, and how it ends. Many companies have no written agreement, or one nobody has read.

The company also holds personal data about its leaseholders and is a data controller in its own right. Subject access requests tend to arrive in the middle of disputes, and they have to be answered.

The building

Fire risk assessment, kept current. Where the building is within the building safety regime, the company is likely to be the accountable person, with duties to assess and manage risk and to hold a safety case. Those duties are not delegable to an agent, whatever the management contract says.

REFORM LANDS ON YOU, NOT ON THE LEASEHOLDERS

Almost every element in the pipeline falls on the landlord or the management company: standardised service charge demands, an annual report to leaseholders, a wider right to request information, regulation of managing agents, the abolition of forfeiture, and a ground rent cap targeted for 2028. Companies that already demand, consult and record properly will have least to change.

Where companies come unstuck

Almost everything we are asked to repair falls into this list, and almost all of it was avoidable at no cost.

- **Works instructed before consultation finished**, or not consulted on at all — the most expensive single failure available to a management company.
- **Demands sent without the prescribed summary**, so leaseholders were entitled to withhold payment and the company did not know why nobody paid.
- **Costs demanded more than eighteen months after they were incurred**, with no interim notification, and therefore irrecoverable.
- **Reserve funds spent on something the lease does not permit**, or held in the company's general account rather than on trust.
- **A licence to assign left unanswered** while a sale collapsed, exposing the company to a damages claim.
- **Selective enforcement**, where one flat was allowed what another was refused, and the company can no longer explain why.
- **Companies House filings allowed to lapse**, with the freehold eventually vesting in the Crown.
- **Decisions taken on a show of hands** rather than on what the leases and the articles actually permit.
- **Insurance renewed without reviewing the reinstatement value**, leaving the building under-insured and the shortfall falling on the leaseholders after a claim.
- **Building safety treated as the agent's problem**, when the duties sit with the company and its directors.

THE COMMON THREAD

None of these is caused by bad faith. They are caused by volunteers doing a professional job in the evenings, without anyone having told them which of the many things on the list carry statutory consequences and which are merely good practice. That is a solvable problem, and solving it is considerably cheaper than the alternatives above.

Why instruct Arcadia Law

We act for a large number of resident freehold companies and management companies, and the work divides into two: keeping the routine right, and dealing with the things that go wrong.

Arcadia Law is a specialist leasehold practice. We act for landlords, resident management companies, right to manage companies and managing agents, and for leaseholders — which means we know how the other side will read your demand, your consultation and your enforcement.

How we work

- **The routine, handled properly.** Consultation notices, demands in the correct form, transactional documents on a turnaround your leaseholders will not complain about, and standard forms drafted once for your leases.
- **The difficult conversations.** Arrears, breach of covenant, short lets, and the leaseholder who will not engage — with proportionate advice on when to press and when not to.
- **Tribunal and court work.** Dispensation applications, determinations of breach, service charge determinations and recovery, conducted by the people who advised on the underlying position.
- **Statutory claims against you.** Counter-notices to lease extension and enfranchisement claims, right to manage claims, and the valuation strategy that goes with them.
- **Senior oversight, proportionate cost.** Routine items handled by our paralegal team under supervision, so that a certificate does not cost what a Tribunal application does.

A SUGGESTION WORTH MORE THAN MOST ADVICE

Ask us to review your leases and your current practice once, before anything has gone wrong. An audit of the service charge clause, the consultation position, the registers and the company's filings takes an afternoon and is the cheapest thing a management company ever buys.



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

Where to start

Whether something has gone wrong or you simply want to know where you stand, 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 owns the freehold, whether there is an agent, what works are coming up, and what if anything is currently in dispute.

02

We tell you where the exposure is

WITHIN A FEW DAYS

What the leases let you recover, whether your demands and consultation are sound, what is missing, and what should be dealt with before it becomes urgent.

03

We take on as much or as little as suits

FROM THAT POINT ON

The routine transactional work, the contentious matters, or a one-off review that leaves you with the documents and the knowledge to run it yourselves.

SPEAK TO US

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General information only, reflecting the law of England and Wales as at 26 July 2026, and not legal advice. What a company may recover, and what it must do first, depends on the wording of the particular leases. Statutory thresholds and prescribed forms change from time to time. Take advice on your own building before demanding, consulting or enforcing. Arcadia Law Ltd is a private limited company registered in England and Wales, company number 10043933, registered office 15 Approach Road, London SW20 8BA. Authorised and regulated by the Solicitors Regulation Authority, SRA number 629605. © Arcadia Law Ltd 2026. The ALEP name and logo are the property of ALEP and are reproduced under licence to member firms.