

Leasehold Fees & Charges

If you are a leaseholder it is very likely that you will have an obligation to make regular payments to your landlord/freeholder as a condition of occupying your property.

Your lease will contain information on various charges and fees that you are expected to pay as a condition of being a leaseholder. Depending on the nature of these payments they may be due weekly, monthly, quarterly, annually or only upon the sale or transfer of your home.

Service and maintenance charges

Nearly all leasehold properties will have charges payable to the freeholder or managing agents in order to meet certain service or maintenance charges. These will often cover costs such as:

- Personal alarm systems
- A full time or part-time warden
- Maintenance of communal areas
- Gardening services
- General repairs
- Building insurance

The service charge can be considerable, research done by EAC put the average service charge in a **retirement property**

at around **£2,600 year**. In a **non-retirement property you can expect to pay in excess of £1,800 a year**, on average. It is therefore important to review your lease before purchasing a property in order to determine the charge and the method from which it is calculated.

Ensure that you enquire about all ongoing costs that leaseholders are expected to pay as many different terms are used to cover a variety of charges, terms include:

- Service charge
- Maintenance charge
- Deferred maintenance fee
- Sinking fund
- Administration charge
- Reserve fund

Leaseholders have a statutory right to receive a summary of the service charge account from the landlord under section 21 of the Landlord and Tenant Act 1985. The request must be in writing and can be sent direct to the landlord or to the managing agent.

It is the landlord who takes the decisions on how to commit the expenditure of these funds. This applies in all situations where flats are centrally managed and applies equally where the leaseholders themselves manage their building. However, legislation provides a certain

degree of protection to leaseholders whilst also extending obligations to the landlord with regards to how these charges are managed. Some of the key requirements, set out in legislation, are that:

- Charges must be reasonable and may be challenged at the Tribunal.
- Service charge payers must be consulted before the landlord commences qualifying works, other than under a long-term agreement, which will cost any leaseholder more than £250, or enters into a long-term contract worth more than £100.
- The leaseholder is entitled to request, in writing, a 'summary' of relevant costs' from the landlord, which will account for all annual expenditure.

Ground Rent

Another ongoing cost that can apply to retirement leasehold property is ground rent. This is paid to the freeholder that owns the ground on which your property is built.

Ground rents can vary but are usually not as significant as service charge payments. According to Which?, these fees are usually between **£50 and £200**

per year, across the whole residential leasehold sector.

Research done by EAC into the average Ground Rent for **retirement properties puts this figure closer to £360** per year.

Administration charge

Rather than an ongoing fee that must be paid by the leaseholder, these costs are triggered by an action. For example: doing some internal building work or letting out the property.

Any such charges will be set out in your lease. If the managing agent of your building is a member of the Association of Retirement Housing Managers (ARHM) or Association of Residential Managing Agents (ARMA) they must ensure that their charges are reasonable. These fees can be contested through their complaints procedure, or a tribunal if necessary.

Event Fees (Exit Fees)

Even when you are purchasing a new home, it is important to be aware of charges you may incur when selling at a later date. As well as the usual estate agent fees and legal costs, you may be expected to pay an 'exit fee' upon selling your retirement home. These charges are typically 1% of the purchase or sale

price but can sometimes be significantly higher where a greater range of services are available to residents.

It is important to ask about exit fees at the earliest possible opportunity when considering purchasing a property as the cost can be considerable and may have a significant impact on your decision making.

As with service charges there are many different terms that can be used, such as:

- Transfer fee
- Re-assignment charge
- Exit fees
- Deferred contingency charge

Before you exchange contracts and complete on your retirement home, ensure that you are completely happy with the terms relating to exit fees as you will not be able to challenge an exit fee once you have agreed to it. This is because it is not considered a 'service charge' or 'administration fee' and therefore the tribunal do not have the jurisdiction to decide on such cases.