



PRESS
INFORMATION

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ARMA secures major agreement with energy companies to protect leaseholders from disconnections

The Association of Residential Managing Agents (ARMA) has reached a major agreement with the big six energy companies to protect leaseholders from power disconnections to the communal areas of their property.

The groundbreaking initiative has been driven by ARMA in response to several recent concerns raised by some of its members after the power to communal areas of blocks of flats they manage was cut off.

No power in the communal areas means no fire alarms, no emergency lighting, no lifts, no water supplies and no sewage pumping. On one occasion, a local authority had to step in and pay a landlord's electricity bill to prevent flat owners being made homeless because of the threat of disconnection.

Significantly, the new protocol has been agreed with the Energy Retail Association (ERA) which represents the big six energy companies.

“This is a really significant agreement” commented ARMA’s chairman Peter Dening. “Communal areas are the lifeblood to a block of flats providing lifts, lighting, water and fire alarms. Although rare, power disconnections to these areas can have as serious an impact as they would for individual flats and houses. This new protocol should make energy suppliers think about the adverse affects on leaseholders before resorting to disconnections and make it absolutely a last resort.”

In a block of leasehold flats it is the landlord or residents management company (RMC) that is responsible for ensuring that energy bills for the communal areas are paid. Leaseholders pay service charges to cover the cost of services to communal areas including energy bills. Non or late payment by leaseholders can easily disrupt the cash flow of the service charge account that pays these bills. This effectively puts the landlord or RMC in debt to the energy company who will then take the disconnection route if payment is not met.

Part of the problem is that the communal areas of blocks of flats are defined by OFGEM, the regulator of energy companies, as commercial premises. This means they are not protected by the same safety net that protects the residents of individual flats within the buildings who are defined as domestic customers. Energy companies can disconnect the power to the communal areas therefore without having to consider the effect it might have on residents.

The new ARMA / ERA protocol prompts energy suppliers to make every effort to contact the landlord or managing agent before resorting to disconnection of power to communal areas. It also encourages them to consider the impact this might have on occupants. Generally it is meant as a guide to help avoid disconnections by addressing the issue earlier in the debt-collection pathway.

The agreement also establishes the role and responsibilities of ARMA managing agents. This includes making the supplier aware of the potentially catastrophic effects of disconnecting the power to the communal areas and prioritising invoices for utilities before others if service charge funds are limited.

Commenting on the new protocol, David Clark, ARMA Council member and Principal at Mainstay said, "We took over the management of a block where power to the communal undercroft car park had already been disconnected. Residents were forced to install an external generator which cost a considerable amount to run each month. We had to take significant steps therefore to get the energy supplier to reconnect the power as soon as possible. To do so, they required payment of a

substantial security bond equivalent to half a year's cost of the supply and a certificate from a qualified electrician confirming that the supply was safe to reconnect. All in all the process took about one month." He concluded, "We wholeheartedly welcome this new protocol to protect leaseholders from a situation which is at best miserable and at worse dangerous."

ENDS

Notes to Editors

1. Formed in 1991, ARMA is the only body in England and Wales to focus exclusively on matters relating to the management of long leasehold residential property. The association has over 260 firms in membership that between them manage some 900,000 units in more than 34,000 blocks of flats or estates (at least 60% of which are lessee-controlled properties). ARMA's founding principal aims are to represent its members and the interests of lessees, resident management companies and investor freeholders. More information on the association can be found at www.arma.org.uk.
2. The Energy Retail Association (ERA) was formed in 2003 and represents the six main electricity and gas suppliers in the domestic and micro business market in Great Britain. The ERA works closely with Government, NGOs, charities and other organisations in England, Scotland and Wales to ensure a coordinated approach is taken on the key issues affecting their industry and the British consumer. All the main energy suppliers, operating in the residential market, in Great Britain are members of the Association – British Gas, EDF Energy, RWE npower, E.ON, ScottishPower, and SSE.
3. ERA established a voluntary Safety Net in 2004 that gave a commitment from the industry not to knowingly disconnect a vulnerable customer. The Safety

Net definition includes: households on low income/state benefit with young children and people dependent on medical equipment run by electricity, such as an electric wheelchair or dialysis machine. In 2011 a commitment was made from all suppliers to re-connect within 24 hours a customer who has been disconnected who subsequently turns out to be vulnerable. Suppliers have also committed to follow up any customer who has been disconnected and who has not made contact to check again that they are not vulnerable. This does not apply to the communal areas of a block of flats which are classed as commercial premises by OFGEM.

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