



**60,000 RESIDENTS MANAGEMENT COMPANIES
MAY WANT TO CHANGE**

30th September 2009

On 1st October the final elements of the Companies Act 2006 come into force and could affect the way 60,000 existing Residents Management Companies (RMCos) are structured and run.

RMCos are companies that are owned by the long leaseholders in blocks of flats and which have the responsibility, through elected directors, to manage the property in accordance with the lease and relevant legislation.

The Act means that all newly formed Companies from the 1st October will have model default Articles (the 'Rules' of the company) unless the leaseholders, as shareholders, decide otherwise. These model Articles simplify the way a company is to be run and elements of this simplification can be adopted, by resolution, by existing RMCos.

To help leaseholders and the directors of their RMCos understand what changes are available to them, the Association of Residential Managing Agents (ARMA) has produced a Lessee Advisory Note (N°14) 'The Companies Act 2006 and Resident Management Companies'. The advisory note can be downloaded from www.arma.org.uk or a hard copy requested by phoning 020 7978 2607.

"The Act allows for the abolition of annual general meetings and the position of the company secretary" comments David Hewett, ARMA's chief executive, "but we do not believe these two options will be popular. We perceive that residents should have a say on how their RMCos is being run and the main conduit for this is the AGM. And in many RMCos the company secretary is often the driving force".

However ARMA sees that the provisions for the use of written resolutions and email and website communications will be welcomed by many as a way of improving administration and for being environmentally friendly.

“Directors and members of existing RMCos are not required to make any changes to their constitutional documents as a result of the Companies Act 2006” continues Hewett. “Existing companies may wish to change their existing articles to take advantage of the greater flexibility in the newer models if the existing articles do not allow those changes. If they wish to do so they are strongly advised to take legal advice. To do so those companies may need to make a change by passing a special resolution in which 75% of those eligible to vote must vote in favour whether the vote is by a show of hands, by poll at meeting or by written resolution.”

STING IN THE TAIL

The changes, however, may not be regarded as beneficial by many RMCos. The deadline for private companies to file annual accounts and reports reduces from 10 months to 9 for financial periods beginning on or after 5 April 2008.

Companies must send their accounts and reports to Companies House. The directors are personally responsible for ensuring that company accounts and reports are delivered before the time allowed runs out. Delivery means actual receipt at Companies House in the correct format. If they are late, the law automatically creates a penalty.

Length of delay (measured from the date the accounts are due)	Private Company
Not more than 1 month	£150
More than 1 month but not more than 3 months	£375
More than 3 months but not more than 6 months	£750
More than 6 months	£1,500

The amounts set out above will be doubled where the accounts are filed late under the Companies Act 2006 and the previous year’s accounts under that Act were also filed late.

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(Words: 581)

NOTES TO EDITOR

1. Attached is LAN14 'The Companies Act 2006 and Resident Management Companies'.
2. Formed in 1991, ARMA is the only body in England and Wales to focus exclusively on matters relating to the block or estate management of long leasehold residential property. With over 225 corporate members managing in excess of 850,000 units in more than 34,000 blocks of flats or estates (at least 60% of which are lessee-controlled properties), the Association's founding principal aims are to represent its members and the interests of lessees, resident management companies and investor freeholders.
3. For further press information contact David Hewett on 020 7622 6123 or david@arma.org.uk

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