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RIGHT TO MANAGE TAKE UP GOES SLOWLY

Research just published, indicates that the much heralded power for residential long leaseholders to exercise the Right to Manage their blocks of flats has been very slow to take off.

The Right to Manage (RTM) was introduced by the Commonhold and Leasehold Reform Act 2002 to enable qualifying groups of lessees to take control of the management of their building; this was seen by government as a vital power for lessees to combat poor management by the freeholder. Under residential long leases the freeholder has control of a building's management and maintenance, often using the services of a managing agent, but it is the leaseholders who have to pay for the costs of these in the form of service charges.

The research, carried out by the Association of Residential Managing Agents (ARMA), shows that in the first year of operation only 334 RTM companies were formed, which, it is estimated, only represents 0.005% of all blocks of flats in England and Wales.

Not surprisingly the main reason given by respondents to the survey for wishing to exercise RTM was their dissatisfaction with standard of the freeholder's management arrangements. A quarter of respondents were looking to self-manage but the vast majority just wanted to be able to appoint their own managing agent who would take instructions from them, not the freeholder.

Virtually all respondents found it easy to form the prescribed RTM company and gain the support of sufficient qualifying lessees, but nearly a half reported that their freeholders proved obstructive during the process. Concerningly though, a large minority of respondents admitted that in exercising their right to take control they did not prepare a business plan or budget.

Despite the low number of RTMs that have been formed 84% of respondents said that the exercise of this new power had been successful. However, there was a consensus amongst many of those responding that it had been hard work, particularly as there was often little active support from other lessees.

“This lack of active support is a concern”, says David Clark, ARMA’s chairman, “as it can lead to serious problems if the ‘drivers’ of this process subsequently stand down as directors. It is for this reason ARMA and LEASE, the leasehold advisory service, believe that, unless the building is small, the day-to-day management may be best left to a professional managing agent who can provide the continuity.”

Clark also points out that “the appointment of a managing agent frees up the lessees to enjoy their homes, avoids lessees becoming involved directly with disputes with neighbours and reduces the personal time that lessees would otherwise have to give in managing the property themselves.”

ARMA is the only body in England and Wales to focus exclusively on matters relating to the block management of leasehold property. With some 156 corporate members managing around over 600,000 units in an estimated 24,000 blocks of flats (at least 50% of which are lessee-owned properties), the Association’s founding principal aim is working towards improving standards for lessees, freeholders and resident management companies.