

The Leaseholder's Guide to Service Charges

Understanding your rights under the Landlord and Tenant Act 1985

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INTRODUCTION

If you own a leasehold flat or apartment, you will almost certainly be required to contribute towards the costs of managing and maintaining the building in which your property is situated. These contributions are known as service charges, and they are one of the most significant financial obligations — and sources of dispute — in residential leasehold law.

This guide has been prepared by Bergason Property Services Limited to help leaseholders understand what service charges are, how they are calculated, what legal protections exist, and how to challenge charges you believe are unreasonable.

WHAT IS A SERVICE CHARGE?

A service charge is an amount payable by a leaseholder, in addition to ground rent, as a contribution towards the costs incurred by a landlord or managing agent in providing services, carrying out repairs, maintaining the building, and insuring common parts.

Common items covered by service charges include:

- Cleaning and maintenance of communal areas
- Buildings insurance
- Lift maintenance and servicing
- Door entry system maintenance
- Gardening and grounds maintenance
- Repairs to the roof, structure and external fabric
- Management fees payable to a managing agent
- Reserve fund contributions for future major works
- Compliance costs (fire risk assessments, electrical inspections etc.)

The Legal Framework

SECTIONS 18–30 OF THE LANDLORD AND TENANT ACT 1985

The primary legislation governing residential service charges is contained in Sections 18 to 30 of the Landlord and Tenant Act 1985. This legislation provides important protections for leaseholders.

Section	Provision
Section 18	Defines 'service charge' for the purposes of the Act
Section 19	Charges must be reasonably incurred; works must be of a reasonable standard
Section 20	Consultation requirements for qualifying works and long-term agreements
Section 21	Leaseholder's right to a written summary of costs
Section 22	Right to inspect accounts, receipts and other documents
Section 27A	Right to apply to the First-tier Tribunal to determine reasonableness
Section 29	Restriction on forfeiture for non-payment of service charges

The Reasonableness Test

SECTION 19: COSTS MUST BE REASONABLY INCURRED

Under Section 19, a service charge is only payable to the extent that the costs have been reasonably incurred and, where the charge relates to works, those works must be of a reasonable standard. Relevant factors include:

- Whether competitive tenders were obtained before appointing contractors
- Whether the scope of works was necessary and proportionate
- Whether the managing agent's fees are proportionate to the services provided
- The financial impact on leaseholders, particularly for large works programmes

Section 20 Consultation

WHEN IS CONSULTATION REQUIRED?

Section 20 requires a landlord to consult leaseholders before carrying out qualifying works (where any one leaseholder would contribute more than £250) or entering into qualifying long-term agreements (more than 12 months, any one leaseholder contributing more than £100 per year).

If a landlord fails to follow the Section 20 process, the amount recoverable from any individual leaseholder is limited to £250 for qualifying works regardless of actual cost.

Your Right to Information

SECTION 21 & 22 RIGHTS

Under Section 21, you have the right to request a written summary of costs. Under Section 22, you have the right to inspect accounts, receipts and supporting documents. A landlord who fails to comply commits a criminal offence.

Every service charge demand must be accompanied by a summary of leaseholders' rights. A demand not accompanied by this summary is not due until the summary is provided.

Challenging Service Charges

THE FIRST-TIER TRIBUNAL

You have the right to apply to the First-tier Tribunal (Property Chamber) under Section 27A for a determination as to whether charges are payable and, if so, in what amount. Applications are made on form T6. Payment of a charge does not prevent you from later challenging its reasonableness.

- Write to your managing agent first setting out your concerns
- Request all invoices and documents under Section 22
- Keep records of all correspondence
- Seek free advice from LEASE before applying

Reserve Funds & Buildings Insurance

RESERVE FUNDS

Many developments operate a reserve fund into which regular contributions are made to build up funds for future major expenditure such as roof replacement or lift renewal. Reserve fund contributions must be held in a separate designated trust account.

BUILDINGS INSURANCE

The landlord is usually obliged to insure the building and recover the premium through the service charge. Leaseholders have the right to request a summary of the insurance cover and to challenge the reasonableness of the premium. The Leasehold and Freehold Reform Act 2024 restricts insurance commissions paid to landlords and managing agents.

Summary Checklist

Read your lease — Understand exactly which costs your landlord is entitled to recover.

Request a budget — Ask for the annual service charge budget at the start of each year.

Review year-end accounts — Check the reconciliation statement against your budget.

Request documents — Exercise your Section 22 rights to inspect invoices if you have concerns.

Check Section 20 compliance — For major works, confirm the consultation procedure was followed.

Check demands are valid — Ensure all demands include the required summary of rights.

Raise concerns in writing — Write to your managing agent promptly if a charge seems unreasonable.

Consider the Tribunal — If concerns are not resolved, apply to the First-tier Tribunal.

Seek free advice — Contact LEASE (www.lease-advice.org) or Citizens Advice.

Organisation	Contact
LEASE — Leasehold Advisory Service	www.lease-advice.org 020 7832 2500
First-tier Tribunal	www.gov.uk/courts-tribunals/first-tier-tribunal-property-chamber
The Property Ombudsman	www.tpos.co.uk 01722 333 306
Bergason Property Services	0121 384 1333 info@bergason.co.uk