

RMC Director Responsibilities — What You Need to Know

A practical guide for residents management company and RTM directors

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INTRODUCTION

If you are a director of a Residents' Management Company (RMC) or Right to Manage (RTM) company, you are taking on a significant set of legal responsibilities. Many leaseholders become directors without fully understanding the scope of what is expected of them — and this guide is designed to change that.

Being an RMC or RTM director is a voluntary role, but it is not a casual one. Directors have personal legal duties under company law, statutory obligations under leasehold legislation, and practical responsibilities for the safety and maintenance of the building. This guide covers all of them.

WHAT IS AN RMC?

A Residents' Management Company (RMC) is a company, usually limited by shares or guarantee, that has been granted the right to manage the development under the terms of the leases. RMC directors are typically leaseholders who volunteer to run the company on behalf of all residents. An RTM company is similar but acquires its management rights through the statutory Right to Manage process rather than through the leases.

Company Law Duties

YOUR DUTIES AS A COMPANY DIRECTOR

As a director of a limited company, you have statutory duties under the Companies Act 2006. These apply whether you are a director of a large listed company or a small residents' management company:

Duty	What it means in practice
Act within your powers	Follow the company's articles of association — don't act outside the company's authorised activities
Promote the success of the company	Act in the way most likely to promote the success of the company for the benefit of its members
Exercise independent judgement	Make your own decisions — don't simply defer to others, including your managing agent
Exercise reasonable care, skill and diligence	Apply the care and skill that a reasonably diligent person with your knowledge and experience would apply
Avoid conflicts of interest	Don't use your position to benefit yourself at the expense of the company or other leaseholders
Not accept benefits from third parties	Don't accept gifts, hospitality or other benefits from contractors or third parties that could give rise to a conflict
Declare interests in transactions	Disclose any personal interest in a proposed contract or transaction

Filing Obligations at Companies House

ANNUAL REQUIREMENTS

Every limited company — including RMC and RTM companies — must file certain documents at Companies House each year. Failure to file on time results in automatic financial penalties and, ultimately, the company being struck off the register and dissolved. If the company is struck off, the RTM right is lost.

- Confirmation Statement (formerly Annual Return) — must be filed at least once every 12 months
- Annual accounts — must be filed within 9 months of the company's financial year end
- Notify Companies House of any changes to directors, registered office address or company details
- Maintain a register of members (shareholders or guarantors) and keep it up to date

Many RMC companies use a managing agent or accountant to handle Companies House filings. It is the directors' responsibility to ensure this is being done — even if delegated.

Service Charge Obligations

THE LANDLORD AND TENANT ACT 1985

As the entity responsible for demanding and collecting service charges, the RMC/RTM company must comply in full with the Landlord and Tenant Act 1985. Key requirements include:

- All service charge demands must be accompanied by the statutory summary of rights and obligations
- Service charge funds must be held in a designated trust account — they cannot be mixed with company funds
- Annual service charge accounts must be prepared and made available to leaseholders
- A qualified accountant must certify accounts for buildings with more than four flats
- Leaseholders have the right to request a summary of costs (Section 21) and to inspect documents (Section 22)
- The Section 20 consultation process must be followed for all qualifying works

Statutory Compliance Responsibilities

HEALTH, SAFETY AND COMPLIANCE

RMC and RTM directors are responsible for ensuring the building is managed safely and in compliance with all applicable legislation. The key areas of statutory compliance are:

Area	Requirement	Frequency
Fire risk assessment	Suitable and sufficient FRA of common parts	Review annually or after significant change
Electrical installation	EICR of common parts electrical installation	At least every 5 years
Asbestos	Management survey and register for common parts	Review and re-inspect ACMs annually
Legionella	Risk assessment of communal water systems	Review annually; regular temperature monitoring
Fire doors	Inspection of communal and flat entrance fire doors	Communal: monthly. Flat entrance (HRBs): quarterly
Buildings insurance	Adequate buildings insurance for the full reinstatement value	Renew annually; review reinstatement value regularly
Building Safety Act (HRBs)	Register with BSR, Safety Case, Golden Thread, BAC	Ongoing

Managing Your Managing Agent

YOUR RELATIONSHIP WITH YOUR MANAGING AGENT

Most RMC and RTM companies appoint a professional managing agent to carry out day-to-day management on their behalf. However, appointing a managing agent does not transfer your legal responsibilities as a director — it merely delegates certain functions. You remain responsible for ensuring those functions are properly performed.

- Review your managing agent's performance regularly — ask for KPI reports and compliance updates
- Ensure the agent provides annual service charge accounts and budget forecasts
- Satisfy yourself that Section 20 consultation is being carried out correctly for qualifying works
- Check that compliance certificates (FRA, EICR, asbestos etc.) are being obtained and acted upon
- Verify that service charge funds are held in a properly designated trust account
- Hold an AGM at least once per year to keep all leaseholders informed
- If the agent is not performing, you have the right to replace them

PERSONAL LIABILITY

In most circumstances, directors of limited liability companies are protected from personal liability for company debts and obligations. However, personal liability can arise where directors act fraudulently, outside their powers, or in serious breach of their duties. Taking out Directors and Officers (D&O;) insurance is strongly recommended for all RMC and RTM company directors.

HOW BERGASON CAN HELP

Bergason Property Services Limited works closely with RMC and RTM company directors, providing regular compliance reporting, budget management and strategic advice to help directors fulfil their responsibilities with confidence.

0121 384 1333 | info@bergason.co.uk | www.bergasonblockmanagement.co.uk