

The Leaseholder's Guide to Self-Management

Right to Manage — qualifying criteria, process and pitfalls

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INTRODUCTION

If you are a leaseholder who is dissatisfied with the way your building is being managed, you may have the legal right to take over management yourselves — without needing the freeholder's permission and without having to prove fault. This right is known as the Right to Manage (RTM).

This guide has been prepared by Bergason Property Services Limited to help leaseholders understand what self-management through RTM involves, whether they qualify, how the process works in practice, and — critically — the pitfalls that cause RTM companies to fail after they have acquired the right to manage.

Self-management is not simply about removing a disliked managing agent. It is a significant legal and operational undertaking that requires commitment, expertise and ongoing compliance with a wide range of statutory obligations. This guide is designed to help you make an informed decision before proceeding.

WHAT IS THE RIGHT TO MANAGE?

The Right to Manage is a statutory right introduced by the Commonhold and Leasehold Reform Act 2002. It allows qualifying leaseholders to take over the management of their building by forming an RTM company — a private company limited by guarantee — and serving the appropriate notices on the freeholder.

RTM is a no-fault right. You do not need to show that the freeholder or current managing agent has done anything wrong. You simply need to meet the qualifying criteria, follow the statutory process correctly, and be prepared to take on the responsibilities that come with managing your building.

Importantly, the Leasehold and Freehold Reform Act 2024 has widened access to RTM, increasing the non-residential floor area limit from 25% to 50% — meaning more mixed-use buildings now qualify.

Qualifying Criteria

THE BUILDING MUST QUALIFY

Not every building is eligible for RTM. The building itself must meet the following criteria:

Criterion	Requirement
Self-contained building	Must be a self-contained building or self-contained part of a building with its own entrance, services and structure
Residential use	At least two-thirds of the flats must be held on long leases (originally granted for more than 21 years)
Non-residential limit	No more than 50% of the internal floor area (excluding common parts) may be non-residential use. This was increased from 25% by the Leasehold and Freehold Reform Act 2024
No public sector exemption	RTM does not apply where the freeholder is a local housing authority in certain circumstances

THE LEASEHOLDERS MUST QUALIFY

Individual leaseholders must also meet the qualifying criteria:

- A qualifying tenant is a leaseholder who holds a long lease (originally granted for more than 21 years) of a flat in the building
- A person who holds three or more flats in the building cannot be a qualifying tenant
- At least 50% of the qualifying tenants in the building must become members of the RTM company before the claim notice is served
- In a building with only two flats, both qualifying tenants must be members
- There is no minimum ownership period — you can exercise RTM from the day you buy

THE RTM COMPANY

The RTM company must be a private company limited by guarantee, incorporated specifically for the purpose of acquiring and exercising the right to manage. Its articles of association must comply exactly with the form prescribed by the Right to Manage (Prescribed Particulars and Forms) (England) Regulations 2010. Using a non-compliant template is one of the most common causes of a failed RTM claim.

The RTM Process Step by Step

Step	Action	Key Requirement
1	Incorporate the RTM company	Articles must follow prescribed form exactly
2	Recruit members to reach 50% threshold	Must be achieved before serving any notice
3	Serve Notice of Invitation to Participate on all non-member qualifying tenants	Must be served at least 14 days before the Claim Notice
4	Allow 14-day response period	Non-members have 14 days to join before claim is served
5	Serve Claim Notice on the freeholder and any management company	Must contain all prescribed information — defects invalidate the claim
6	Freeholder serves Counter-Notice (if disputing)	Must be served within 1 month of Claim Notice
7	Apply to First-tier Tribunal if claim is disputed	Application must be made within 2 months of Counter-Notice
8	Acquisition Date — RTM is acquired	Not less than 3 months after the Claim Notice date

Every step must be completed correctly and in the right order. A single procedural error — however minor — can invalidate the entire claim and require you to start again from the beginning.

Responsibilities After Acquiring RTM

WHAT DOES THE RTM COMPANY TAKE ON?

Once the RTM company acquires management on the Acquisition Date, it assumes full legal responsibility for managing the building. This is not simply the ability to choose a different managing agent — it is a comprehensive set of statutory and contractual obligations that the RTM company directors must fulfil or arrange to have fulfilled on the company's behalf.

The RTM company takes on responsibility for:

- All management functions specified in the leases, including repairs, maintenance and insurance
- Demanding, collecting and accounting for service charges in compliance with the Landlord and Tenant Act 1985
- Following the Section 20 consultation process for all qualifying works
- Fire safety compliance — fire risk assessments, fire door inspections, emergency lighting
- Electrical safety — EICR for common parts, PAT testing of communal appliances
- Asbestos management — maintaining an up-to-date asbestos register and management plan
- Water hygiene — Legionella risk assessment and ongoing monitoring
- Buildings insurance — arranging and maintaining adequate cover
- Building Safety Act 2022 compliance for higher-risk buildings
- Company law obligations — filing annual accounts, confirmation statements at Companies House
- Maintaining the Golden Thread of information (higher-risk buildings)

Self-Managing vs Appointing a Managing Agent

UNDERSTANDING YOUR OPTIONS

Acquiring the Right to Manage does not mean you must manage the building yourselves. The RTM company has two choices after acquisition:

Option	What it means	Best suited to
Pure self-management	RTM company directors manage everything directly — no professional agent appointed	Very small blocks (2-4 units) where directors have relevant expertise and time
Appoint a managing agent	RTM company appoints a professional managing agent of its own choice to carry out day-to-day management on its behalf	Most blocks — provides professional expertise, compliance support and accountability

The majority of RTM companies choose to appoint a professional managing agent after acquisition. The key difference from the pre-RTM position is that the RTM company — not the freeholder — now chooses and instructs the agent, sets the management priorities, and can replace the agent if dissatisfied.

THE CASE FOR APPOINTING A PROFESSIONAL AGENT

Pure self-management by volunteer directors carries significant risks, particularly for larger or more complex buildings. The statutory obligations of a managing agent — service charge accounting, Section 20 compliance, fire safety, Building Safety Act requirements — are extensive and technically demanding. Errors can result in financial penalties, personal liability for directors, and difficulties for leaseholders wishing to sell or remortgage their properties.

Appointing a qualified, RICS-regulated managing agent provides professional expertise, insurance-backed accountability, and protection for both the RTM company and individual leaseholders.

Common Pitfalls — What Goes Wrong

PITFALLS DURING THE RTM PROCESS

The following errors are among the most common causes of RTM claims failing before acquisition:

- **Non-compliant RTM company articles — using a template not in the prescribed form invalidates the company for RTM purposes**
- **Failing to reach the 50% membership threshold before serving the Claim Notice — the claim is invalid if membership is below 50% at the time of service**
- **Not serving the Notice of Invitation to Participate at least 14 days before the Claim Notice — a mandatory step that is frequently overlooked**
- **Defective Claim Notice — the notice must contain all prescribed information; any material defect gives the freeholder grounds to serve a Counter-Notice disputing the claim**
- **Missing the Tribunal application deadline — if the freeholder serves a Counter-Notice disputing the claim, the RTM company must apply to the Tribunal within 2 months or the claim lapses**
- **Serving notices on the wrong party — notices must be served on the correct legal entity (freeholder, any intermediate landlord, and any management company named in the leases)**

PITFALLS AFTER ACQUISITION

Many RTM companies that successfully acquire the right to manage encounter serious difficulties in the months and years that follow. The most common post-acquisition pitfalls are:

- **Failure to obtain the handover pack from the outgoing manager — service charge funds, compliance documents, contractor contracts and leaseholder records must all be transferred**
- **Service charge arrears going unmanaged — the RTM company inherits responsibility for collecting arrears and must act promptly to recover them through the Tribunal if necessary**
- **Failure to follow Section 20 consultation for qualifying works — this limits recovery to £250 per leaseholder regardless of actual cost**
- **Inadequate reserve fund — failure to build and maintain a proper sinking fund leaves the development exposed to large unplanned demands on leaseholders**
- **Buildings insurance gaps — failure to maintain adequate buildings insurance exposes all leaseholders to potentially catastrophic uninsured losses**
- **Fire safety non-compliance — failure to maintain a current fire risk assessment and act on its recommendations creates serious legal and safety risks**
- **Company law non-compliance — failure to file annual accounts and confirmation statements at Companies House can result in the RTM company being struck off**
- **Director burnout and disengagement — RTM companies that rely on one or two committed individuals often struggle when those individuals move or lose interest**

Is RTM Right for You?

QUESTIONS TO ASK BEFORE PROCEEDING

Before embarking on an RTM claim, every leaseholder group should honestly consider the following questions:

Question	Why it matters
Do we have at least 50% of qualifying tenants willing to join the RTM company?	Without sufficient membership the claim cannot proceed — and maintaining engagement throughout the process can be challenging
Do we have directors willing to take on ongoing legal responsibilities?	RTM company directors have ongoing duties under company law and leasehold legislation — this is not a one-off commitment
Do we have the expertise or budget to manage the building properly?	The cost of getting management wrong — through non-compliance, poor procurement or inadequate insurance — can far exceed the cost of a good managing agent
What is the actual problem we are trying to solve?	If the issue is a specific managing agent rather than a structural management failure, it may be quicker and simpler to demand the freeholder replaces the agent
Have we considered the Right to Manage vs collective enfranchisement?	Purchasing the freehold (collective enfranchisement) gives leaseholders full ownership and control — in some cases this is a better long-term solution than RTM

Summary Checklist

BEFORE YOU START

- Confirm the building meets the qualifying criteria (self-contained, 2/3 long leases, max 50% non-residential)
 - Identify all qualifying tenants in the building
 - Confirm you can reach the 50% membership threshold
 - Take legal advice on the RTM process before incorporating the company
 - Use the prescribed form for the RTM company articles of association
 - Consider whether appointing a new managing agent through the freeholder might be simpler
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DURING THE PROCESS

- Incorporate the RTM company with compliant articles
 - Recruit members to reach and maintain the 50% threshold
 - Serve the Notice of Invitation to Participate at least 14 days before the Claim Notice
 - Ensure the Claim Notice contains all prescribed information
 - Diarise the deadline for Tribunal application in case a Counter-Notice is served
 - Prepare for handover — identify what records and funds the outgoing manager must transfer
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AFTER ACQUISITION

- Obtain the full handover pack including service charge accounts, funds, compliance documents and contracts
 - Commission a fire risk assessment immediately if no current one exists
 - Obtain or review the EICR, asbestos management survey and Legionella risk assessment
 - Review buildings insurance and ensure it is adequate
 - Establish service charge trust accounts and begin collecting service charges
 - Build and maintain a reserve fund for future major works
 - Ensure the RTM company files annual accounts and confirmation statements at Companies House
 - Consider appointing a professional RICS-regulated managing agent
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HOW BERGASON CAN HELP

Bergason Property Services Limited advises leaseholder groups through the entire RTM process, from initial eligibility assessment through to acquisition and ongoing management. We provide specialist block management services to RTM companies, ensuring full statutory compliance and professional management from day one.

We also offer a free initial consultation for leaseholder groups considering RTM. Contact us to discuss your building's situation:

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