

## **OFT (now CMA) Concludes Property Management Industry “Works Well for Many Leaseholders”**



**Sebastian Church FCA 01-01-2015**

The Competition and Markets Authority (CMA) has published its findings and recommendations from its study of the market for Residential Property Management Services in England and Wales.

The CMA consulted extensively with consumer groups, leaseholders, the industry and government during the course of its study. It found that overall, while the market works well for many leaseholders, though a minority have experienced significant problems.

The research also conclude there were now at least 3.1m leasehold flats in England and Wales (a significant increase on the previous estimate) with total annual service charges of £2.5 to £3.5 billion, the normal annual service charge is £1,100 pa (though there is significant variance depending on the age of the building and the services provided).

The CMA has identified concerns about prospective purchasers’ not understanding leasehold prior to purchasing an apartment and the obligations in respect of service charges that they are taking on. They also identified issues including individual leaseholders frustration at a lack of control over the appointment of property managers, high charges for services arranged by some property managers or poor standards of service. Leaseholders dislike suffering unexpected costs and being charged for works they consider unnecessary, these problems are exacerbated by poor communication between property managers and leaseholders, and perceived difficulties in getting redress.

In light of its findings and on-going developments in the market, the CMA has made a number of detailed recommendations aimed at improving:

- prospective purchasers' awareness of leaseholders' obligations
- disclosure, transparency and communication between property managers and leaseholders
- leaseholders' access to appropriate forms of redress.

These recommendations will make leaseholders better informed about the responsibilities and performance of property managers, while greater transparency will increase pressures on property managers and freeholders to take account of leaseholder interests. They will also provide improved mechanisms for dispute resolution, should issues arise that require action.

The CMA is also recommending changes to legislation affecting rights of consultation relating to major works, as well as supplementing the existing Right to Manage legislation to enable leaseholders, where there is a majority in favour, to require the landlord to re-tender the property management of their block.

The CMA is not recommending that property managers should be subject to more formal regulation by government. For many the market works reasonably well, and satisfaction levels are particularly high where leaseholders have exercised their Right to Manage. Existing legislation provides significant protections for many leaseholders, and the sector has engaged constructively with the CMA during the course of its study, recognising that there are improvements to be made and showing a willingness to address the issues that have been identified.

Rachel Merelie, the Senior Director at the CMA who led the study, said:

*“Many property managers provide a good service to leaseholders, but protection against the worst failures by property managers is vital because when problems do occur they have a major impact on leaseholders.*

*We are pleased that within the sector there is a consensus that change is needed and a genuine willingness to be part of that change. This is*

*evidenced by the new and revised self-regulatory codes of practice and the enthusiasm of key players, including property managers, to improve how this market functions.”*