

Understanding Your Lease



A Guide to the Service Charge for Leasehold Flats in Solihull Metropolitan Borough Council

If you request this leaflet in another format please

Phone 0121 717 1515

Introduction

Your lease is a legal document that sets out your rights and responsibilities as a leaseholder, and those of Solihull Council as your landlord (referred to as "We", "Us" or "SMBC" in this leaflet). It is important that you read it. This leaflet is intended to be explanatory only and does not form part of the Lease agreement.

This guide will concentrate mainly on the terms of the lease relating to costs, and should provide answers to a number of your questions. If you require any further information relating to your lease, please contact the relevant Officer. A contact list of Officers has been included at the back of this guide.

What does leasehold mean?

Leasehold ownership of a flat is simply a long tenancy i.e. the right to use and occupy the flat for the term of the lease (125 years).

The ownership relates to everything within the four walls of the flat but does not include the external or structural walls. The structure of the building and the land it stands on is owned by the landlord, Solihull MBC, who are responsible for the maintenance and repair of the building.

What is a lease?

A lease is a private contract between the leaseholder and the landlord i.e. between you and Solihull MBC. The lease sets out the contractual obligations of the two parties, what the leaseholder has contracted to do and what the landlord is bound to do. The leaseholder's obligations include payment of the ground rent and paying their share of the costs of maintaining and managing the building. The lease also places certain conditions on the use and occupation of the flat. The landlord is obliged to manage and maintain the property, to collect contributions from all leaseholders and keep the accounts.

When a flat changes hands, the seller transfers all of their rights and responsibilities in the lease to the purchaser.

What is Ground Rent?

Because a leasehold is a tenancy, it is subject to the payment of a nominal rent of £10 or £20 per annum to the landlord, known as ground rent. Ground rent is a specific requirement of the lease and must be paid on the due date, providing the leaseholder has received a written notice from the landlord. The landlord is legally required to send you written notice of payment of ground rent. The notice must specify the amount due, provide 30 - 60 days notice of payment and specify the date by which payments must be made.

What are the leaseholder's rights?

The leaseholder has the right of peaceable occupation of the flat for the term of the lease. This means no musical instruments, television, radio, loud speaker or other noise making instrument can be played or used that will cause annoyance to other occupiers in the building between the hours of midnight and 0800 hours.

In addition, the leaseholder has the right to expect the landlord to maintain and repair the building and manage the 'common parts' or 'communal areas' i.e. the parts of the building or grounds not specifically granted to the leaseholder in the lease, but to which they have rights of access (i.e. the entrance hall, staircases, lifts, communal yard etc).

All leaseholders within a block can get together to purchase the freehold of the block if certain conditions are met. The price of the freehold is set by the Leasehold Valuation Tribunal. The leaseholders and landlord cannot agree a price between themselves.

Leaseholders have the right to inspect documentation relevant to their service charge account within 21 days of their request.

What are the leaseholder's responsibilities?

- To keep the flat in good order
- To pay their share of costs punctually
- To behave in a neighbourly manner
- To obtain the landlord's consent before making alterations
- To inform the landlord before sub-letting

What maintenance does my Lease cover?

1. Repairs or improvements to the structure and exterior of the flat and the building including drains, gutters, communal stairways, balconies windows, exterior doors, boundary walls and the roof. This applies to the whole block that the flat is situated in.
2. The cost of cleaning and/or redecorating the exterior of the building including guttering, external pipes, windows, exterior doors and balconies.
3. The cost of maintaining, repairing, renewing, improving or replacing any pathway, forecourt, communal yard or steps.
4. The cost of maintaining (or replacing) suitable floor coverings, cleaning, decorating and lighting in the main entrance, passages, landing, staircases and lift maintenance.

We are responsible for providing the services described in your lease. In return, you will be required to pay a proportion (i.e. apportioned on dwellings in the block) of the above costs.

You must also pay the following: -

1. The expenses of the Council (i.e. the Management Fee).
2. Mandatory buildings insurance. Building Insurance is arranged by the Council through the Authorities block policy and ensures comprehensive insurance. If you would like to inspect this policy, please contact the Leasehold team (see contact list). Please note that contents insurance is the responsibility of the Leaseholder.

How is my Service Charge calculated?

The annual Service Charge is initially estimated at the time of purchase, and annually thereafter, and is invoiced quarterly. The service charge year is 1st April to 31st March and is comprised of the following costs: -

1. Day to Day Maintenance

Every year, an estimate of the annual service charge expenditure is made. This depends on the age and condition of the block and the services being provided. It is not always possible to accurately predict the maintenance costs for the year to come. If the amount charged in a year exceeds the amount of costs incurred, an adjustment is made to reduce the service charge in October for the next service charge year. The opposite could also be the case and an increase in the quarterly service charge could occur. This adjustment will increase the service charge in October.

You will also receive a quarterly report containing details of any communal maintenance works carried out, the job number and the total cost to the leaseholder. The cost of this work will be shown separately but included on your quarterly service charge invoice.

2. Planned Maintenance

In some cases, at the time of sale, there are specific works already planned for a block. These works are not general maintenance, and are more significant in both size and cost. An example of such works would be an external repainting programme. If such works are planned an estimate of the cost will be sent to leaseholders and the actual cost billed when the work is complete. The leaseholders are required to pay their share of the actual cost incurred by the landlord.

3. Major Works

Similarly to the above, there may be major works planned on a block of flats. This could mean a new roof, re-rendering, replacement windows etc. If major works are planned, this is funded from what is known as the Capital Fund.

There is a legal requirement to consult leaseholders before any major works is carried out. We will notify you of the work and an estimated cost. Once the actual work is completed we will confirm the cost and the repayment options that are available to leaseholders.

Buildings Insurance

When purchasing a flat, the leaseholder is automatically covered by the Authority's block insurance policy. The premium is charged via the annual service charge and it is a requirement of the lease that this is paid. Leaseholders have the right to inspect this policy and can obtain a copy from the Leasehold Team (see contact details list).

It is the Leaseholder's responsibility to make an insurance claim for any maintenance charges they believe should be covered by the buildings insurance policy. Please contact the Leasehold Team if you require a claim form.

Contents insurance remains your responsibility and although we hope nothing ever happens to your home, we all know of someone who has suffered as a result of incidents including break-ins, fires or floods. This could happen to a property near you and your home and contents could be affected. If this happens you will need to claim from your own insurance or from the other person.

Why do I have to pay service charges?

When you bought your lease, in effect you became a 'shareholder' in the building your flat is in. This means that you have a responsibility to pay your share of the costs of maintaining and managing the building.

If you owned a freehold house you would have to pay all the costs of running your house. As a leaseholder your share of the costs with your landlord and other leaseholders. If you have not owned a home before the cost of running it can be expensive.

We have a legal duty to maintain the building and charge you your share of the cost of managing and maintaining the block. If we did not do this, Council tenants would be paying for your share in their rents and that would be breaking financial regulations.

The costs are shared equally among all of the flats in the block. For example, if there are 6 flats in your block and 4 of them are rented to Council tenants and the other 2 are leaseholders, each leaseholder will pay a sixth of the cost and we will pay four-sixths for our tenants. (The rent that Council tenants pay covers the cost of repairs to Council homes).

We have to maintain our blocks of flats to a good standard. This means that we have to spend money on keeping them in a good state of repair. Sometimes we may have to spend more than a private landlord would because we have a duty to our tenants to provide them with good homes. If we did not spend this money the

flats would deteriorate and your flat would be worth less if you wanted to sell the lease. It would also become less pleasant to live in.

We try to bear in mind that some of everything we spend has to be charged back to you and other leaseholders. Some leaseholders would rather we did not spend any money at all but if we did this we would not be doing our duty to our tenants and your investment in your home would suffer.

The first five years

If you buy a Council flat as a secure tenant under the Right to Buy Scheme we have to tell you how much your service charges are likely to be in the first five years. We can only do this by thinking about what we are likely to have to do to your block in this time and estimating how much it is likely to cost.

Once we have estimated your repair and improvement costs for the first five years, we cannot charge you more than this (except an allowance for inflation). If we find we have over-estimated we will only charge you what it actually cost.

The five-year protection period applies to repairs and improvements from the date the first buyer buys the lease. If you sell the lease within this time the next buyer is entitled to what is left of the five-year protection period. There is not a new five-year period each time the lease is sold on.

The Service Charge

At the start of the financial year, around 1 April, we will send you an 'Estimated Statement of Service Charges' for the coming year. We will invoice you quarterly, based on that estimate. The estimated service charge will usually cover all or most of what we expect to charge you in the year. It also includes your contribution towards the actual cost of any communal repairs that have been carried out within the communal areas of your block.

However, the actual cost may turn out differently so each October we will send you an Annual Statement of Service Charges and this provides you with a detailed breakdown of the actual cost for the previous financial year. We will compare this to what we estimated and actually collected from you. Any refund or extra charges will be made at this time and your quarterly invoice in October will be adjusted accordingly.

The estimated statement and annual statement of charges are just for information. However, you will receive a service charge bill with the statement and this will need to be paid within 21 days. Charges can go up or down without limit, but we can only recover those costs which are reasonable. You have the right to challenge service charges if you feel they are unreasonable at the Leasehold Valuation Tribunal (LVT).

Management Fee

The management fee is an administration charge for managing the services provided to leaseholders. This is in addition to the costs of direct services. You are required to pay for management (running the services, contract-monitoring etc) and administrative services (calculating invoices, collection of service charges etc) as well as dealing with issues, concerns and complaints as they arise.

What if a leaseholder does not pay?

It is the leaseholder's obligation to pay all charges promptly under the terms of the lease. Failure to pay the charges could result in court action leading to the landlord repossessing the property.

If a leaseholder feels that service charges are not reasonable they can apply to the Leasehold Valuation Tribunal to seek a determination of the fairness of the charges.

Contact Details

Nature of Query:	Contact:
For queries relating to the lease, service charge calculation, buildings insurance or any other enquiries relating to maintenance carried out, the cost of repairs or to request a repair.	Sales and Leasehold Team Telephone: 0121 717 1515 Email: info@solihullcommunityhousing.org.uk
For queries relating to the payment of or payment method for invoices you have received.	Sales and Leasehold Team Telephone: 0121 717 1515 Email: info@solihullcommunityhousing.org.uk
For queries relating to the grounds maintenance service.	Area Housing Offices or Solihull Connect Telephone: 0121 704 8000 Email: connectcc@solihull.gov.uk
For queries relating to communal cleaning or the Area Caretaking service.	Estate Services Endeavour House Meriden Drive Solihull B37 6BX Telephone: 0121 717 1515 Email: info@solihullcommunityhousing.org.uk
If you wish to make a formal complaint.	Contact Centre Telephone: 0121 717 1515 Email: info@solihullcommunityhousing.org.uk

Glossary

Covenant

This is a kind of responsibility. The lease is a contract that explains our responsibility to you, and your responsibility to us.

Demise

This is a legal term used to describe the extent (or area) of your property. The demise is shown on a plan of your lease. If you live in a ground floor flat, the demise will show which parts of the building are yours, and which parts you share with other people.

Ground rent

This is rent paid by leaseholders to the landlord during the term of the lease for the use of the land on which their home stands.

Landlord

This is a person who owns the freehold (or long-term leasehold) of a property and grants a tenancy or lease to a tenant or leaseholder.

Lease

This is the contract between a landlord and a leaseholder. It sets out the rights and responsibilities of both the landlord and the leaseholder.

Leaseholder

This is a person who has been granted a lease by a landlord.

Leasehold Valuation Tribunal

These tribunals were established by the 1966 Housing Act. Each tribunal covers an area of the country and includes people with experience of property disputes, such as solicitors and surveyors.

The job of the tribunals is to decide service charge disputes between the landlord and leaseholders.

Lessee

This means the same as leaseholder. We use leaseholder rather than lessee in this handbook.

Lessor

This means the same as landlord. We use landlord rather than lessor in this handbook.

Service Charge

This is a payment made by a leaseholder to a landlord in return for the services the landlord provides.

Term

This is the number of years a lease was issued for.

Transfer

This means the passing on of your lease to new owners, if you are selling your home, or the changing of the names on a lease, if your circumstances have changed. (For example, if you bought your home jointly with someone else and now want to take on the lease on your own). The lease does not need to be transferred if you originally bought your home with your partner and then got married.

We subscribe to Language line, a telephone interpretation service, and to Type Talk to help us in communicating with customers who do not speak English as a first language or who have hearing or speech difficulties.

If you require further assistance, or information in another language or format, please do not hesitate to call the Contact Centre on 0121 717 1515.

Albanian

Ju lutemi mos hezitoni të na kontaktoni nëse keni nevojë për ndihmë të mëtejshme ose informacion në ndonjë gjuhë ose format tjetër.

Arabic

نرجو أن لا تترددوا في الاتصال بنا إن احتجتم إلى المزيد من المساعدة أو إلى الحصول على المعلومات بـلغـتكم أو بوسائط وأشكال نشر مختلفة.

Bengali

আপনার আরও সহায়তার প্রয়োজন থাকলে, বা আপনি অন্য কোন ভাষায় বা মাধ্যমে (যেমন: অডিও টেইপ, ব্রেইল ইত্যাদি) তথ্যাদি পেতে চাইলে অনুগ্রহ করে আমাদের সঙ্গে যোগাযোগ করতে সঙ্কোচ করবেন না।

Chinese

如果你要求多一些協助，或者要翻譯成你語言或其它形式的資料，請勿猶豫同我們聯係。

Farsi

اگر نیاز به اطلاعات یا کمک بیشتر دارید و میخواهید این اطلاعات به زبان یا فرم دیگری در اختیار شما قرار گیرد، لطفاً با ما زود تماس بگیرید.

French

Si vous avez besoin d'aide ou de renseignements complémentaires dans une autre langue ou sous un autre format, n'hésitez pas à nous contacter.

Gujarati

જો તમને તમારી ભાષામાં અથવા અન્ય કોઈ આકારમાં વધારે મદદ અથવા માહિતી જોઈતી હોય, તો કૃપા કરી અમારો સંપર્ક સાધવામાં અચકાશો નહિ.

Japanese

母国語または他のフォーマットの情報、補助に関する質問などがございましたら、お気軽にお問い合わせください。

Kurdish

ئەگەر یارمەتی یان زانیاری زیاتر بە زمانیکی تر وە یان شیوازیکی تر دەوێت، تکایە بە بێ دوودلی بەیوەندیمان پێوە بکە.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਬੋਲੀ ਵਿਚ ਜਾਂ ਵੱਖਰੇ ਰੂਪ ਵਿਚ (ਜਿਵੇਂ ਟੇਪ ਵਿਚ ਭਰੀ ਹੋਈ) ਜਾਣਕਾਰੀ ਜਾਂ ਕੋਈ ਹੋਰ ਮਦਦ ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਬਿਨਾਂ ਕਿਸੇ ਝਿਜਕ ਤੋਂ ਸਾਡੇ ਨਾਲ ਸੰਪਰਕ ਕਰੋ।

Pushto

که تا سو سر بيره مرستی ته اړتیا لری، یا معلومات په خپله ژبه کېښی یا په بل ترتیب یا ډول غواړی، مهربانی وکړی بی له تردد او ځنډ څخه موږ سره په تماس کېښی شی۔

Urdu

اگر آپکو مزید مدد، یا اپنی زبان میں یا کسی اور انداز میں معلومات درکار ہو تو ہم سے بلا توجہ رابطہ کیجئے۔

