



PROGRAMME  
**enhance**

# Member Firm Consultation

OCTOBER 2024

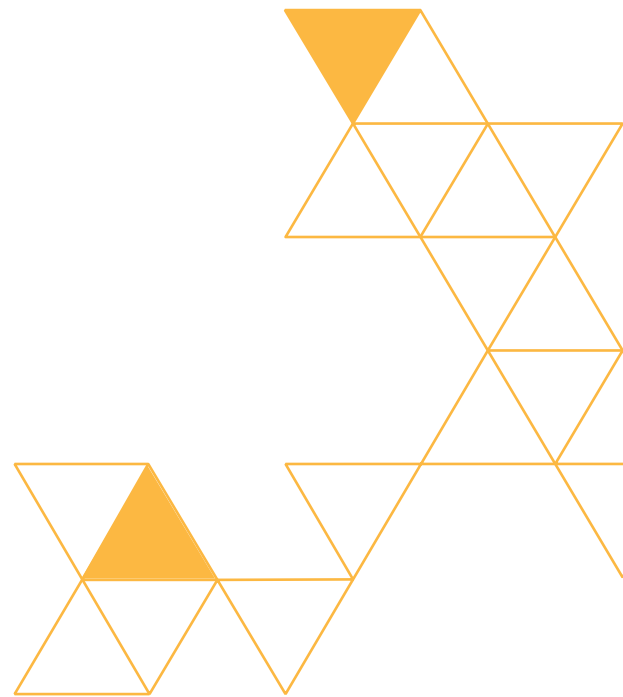


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## FOREWORD

### Why This Consultation Matters to You

In a world where change is an ever present, it is crucial that The Property Institute continues to adapt and enhance our offering to member firms, so that our standards remain relevant and appropriate.

As you may recall, we conducted a consultation earlier this year regarding proposed changes in five key areas: **member firm audits, ethics, wellbeing, revised annual renewals**, and **building safety**. This consultation builds on our spring discussions, seeking your views on proposed updates to TPI's Consumer Charter and Standards, as well as the introduction of a new Customer Feedback Tool for member firms.

Now collectively referred to as '**Programme Enhance**,' these changes aim to ensure that our standards remain robust and fit for purpose through the late 2020s and beyond. They come in response to the introduction of the building safety regime, growing industry consensus on the need for regulation of residential property managers, and an increasingly prominent media and parliamentary debate about how such regulation could be implemented.

The Property Institute is committed to ensuring that the changes we make to our member firm standards are developed by the industry, for the industry. This is why we conducted the earlier consultation, and why we are engaging in this one now. We highly value member firm input, and feedback from the initial consultation has already helped shape our proposed changes, set to take effect from January 2025. We intend to take the same collaborative approach with this consultation as well.

In light of this, I encourage every member firm to engage with these latest proposed changes by participating in this consultation.

We have two complimentary member firm webinars scheduled for mid-October (details available on our website), which will be free of charge during the consultation period. These webinars offer a valuable opportunity to hear directly from The Property Institute team about the rationale behind the proposed changes and to receive practical guidance on how to submit your response.

I look forward to seeing you at one of the webinars and hearing your feedback on these latest proposed changes.

**Andrew Bulmer FTPI FRICS**  
CEO

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## Chapter 1 – Introduction and How to Respond

### 1.1 About The Property Institute

The Property Institute (TPI) is the leading professional body for the residential property management sector, representing over 6,000 property managers, and over 360 managing agent firms.

The Property Institute was formed in March 2022 when The Association of Residential Managing Agents (ARMA) and The Institute of Residential Property Management (IRPM) merged following a member vote overwhelmingly in favour of such a merger the previous summer. Under the direction of a committed Board, The Property Institute seeks to represent and uphold the 'gold standard' for professional practitioners and firms within the property management industry and, crucially, to provide enhanced support for its combined membership.

TPI's members currently manage well over 1.5 million leasehold homes in over 55,000 residential blocks and estates across tenures, the majority being leasehold (private and social sector), and Scottish freehold and institutional build-to-rent across the UK.

Between a third and a half of the 55,000 blocks managed by member firms are resident-controlled clients, such as Residential Management Companies (RMCs), Right to Manage (RTM) companies, or resident associations.

The Property Institute accredits and audits member firms against its Consumer Charter and Standards, while also providing OFQUAL-accredited qualifications, training, and CPD for professionals. Over the past 20 years, it has awarded nearly 10,000 qualifications to professional members.

### 1.2 About 'Programme Enhance'

The Property Institute acknowledges the importance of continually establishing relevant and appropriate standards for its member firms, enabling them to demonstrate compliance with all applicable legislation and standards.

Considering this, a series of interrelated changes have been identified. These changes aim to ensure that The Property Institute's offering to member firms remain robust and relevant in the second half of this decade while continuing to raise and uphold standards in an appropriate and proportionate manner.

From April to June this year, The Property Institute conducted a member firm consultation to gather feedback on some of these interrelated changes—specifically, proposed methods for refreshing how TPI audits and reviews member firms. Further details about that earlier consultation, including the associated consultation paper and our response to the feedback received from member firms, are available in the members' area of our website.

The changes are now collectively referred to as '**Programme Enhance**,' reflecting the overall objective of these interrelated enhancements to The Property Institute's offerings for member firms. These changes are driven by several factors, including but not limited to:

- The advent of the new Building Safety Regime, which requires property managers to take on safety responsibilities in addition to their traditional roles, such as maintaining common areas and managing the finances of residential blocks.
- A growing consensus within the residential property management industry regarding the need for regulating property managers, as recommended by Lord Best's report in 2019<sup>1</sup>.
- Increasing media and parliamentary discussions on the best methods to introduce such regulation, including starting with mandatory qualifications and a mandatory code of practice.

These interrelated changes represent a comprehensive and considered change programme, designed to enhance the standards and practices within the industry.

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<sup>1</sup> Regulation of Property Agents Working Group Final Report July 2019 – full report [here](#)

Building on the earlier member firm consultation from April to June 2024, The Property Institute is now seeking feedback on additional related changes. These new proposals are summarised below and detailed further in the individual chapters provided.

- Chapter 2 – TPI Consumer Charter and Standards proposed changes
- Chapter 3 – Customer Feedback Tool proposal

This consultation invites your feedback on the proposed changes outlined in those two chapters.

### 1.3 How to Respond to the Consultation

This Programme Enhance consultation runs for four weeks, from Tuesday, 1 October 2024, to Monday, 28 October 2024, inclusive.

#### Have Your Say

The Property Institute warmly welcomes comments from all member firms and associate firms on the latest proposed changes that are part of Programme Enhance. Feedback from each firm will be instrumental in finalising these changes, with the aim of introducing them in January 2025.

The Property Institute encourages one response per firm, preferably submitted through an online survey, which can be accessed [here](#).

The online survey includes a declaration confirming that the response is being submitted by a named individual who has delegated authority to act on behalf of a specific firm.

While online survey responses are preferred, there is an option to submit a manual response using the form available for download from the [TPI website](#). A copy is also provided in Annex A for reference. Responses submitted via the manual form should be emailed to [info@tpi.org.uk](mailto:info@tpi.org.uk) or posted to: The Property Institute, 3rd Floor, 2–4 St George's Road, London SW19 4DP.

The deadline for submitting all responses, whether via the online survey or manual form, is **23:59 on Monday, 28 October 2024**. Responses received after this time will not be considered unless the respondent has obtained prior written agreement from The Property Institute to submit a late response.

### 1.4 What Happens Next?

After the consultation period closes, The Property Institute will review all responses received and determine whether and how the latest Programme Enhance changes should be refined. The Property Institute will notify member firms and associate firms of these changes, before Christmas 2024. These latest changes will take effect from January 2025.

During autumn 2024, The Property Institute will prepare and publish relevant supporting advice and guidance related to all the Programme Enhance changes set to take effect from January 2025. This will include revisions to existing guidance as well as any new guidance deemed necessary to ensure a common understanding of the Programme Enhance changes.

### 1.5 Further Information

If you have any immediate comments or questions regarding this consultation, including how to respond to the latest specific proposals, please contact The Property Institute at [info@tpi.org.uk](mailto:info@tpi.org.uk)

## Chapter 2 – TPI Consumer Charter and Standards

### 2.1 Current Consumer Charter and Standards

Since January 2015, all full member firms of The Property Institute have been required to operate according to the principles outlined in the Consumer Charter and to meet the Standards' requirements. While associate firms of The Property Institute are not subject to the same mandatory membership requirements, they are encouraged to comply voluntarily. Aiming to elevate standards in residential leasehold management through independent regulation, the Consumer Charter and Standards are specifically tailored for managing agents.

Alongside the requirements outlined in TPI's Articles of Association and Bye-Laws, the Consumer Charter and Standards constitute the rules of TPI membership. The corporate conduct of TPI members is detailed in the Bye-Laws, with relevant aspects available separately. The Consumer Charter and Standards represent a significant milestone for consumer protection in the residential leasehold sector. Membership in TPI is voluntary, and managing agents who join demonstrate a clear commitment to providing exceptional customer service and operating to the highest possible standards.

The current edition of the Consumer Charter and Standards (Version 2B) was published in October 2016, with subsequent minor amendments made to the Foreword in June 2021. This edition is available for download from the members' area of the TPI website [here](#)

### 2.2 Proposed changes to TPI Consumer Charter and Standards

The Property Institute has identified several proposed changes to Version 2B of the Consumer Charter and Standards. These changes span four main areas, summarised below along with the reasoning behind each proposal. Detailed descriptions of the changes are provided in full in Annex B of this document.

#### 2.2.1 Bank Accounts (Annex B, Section 4.1) and associated revised definition (Annex A, Section 1)

The Property Institute proposes to amend the current definition of 'Client Bank Account' to 'Compliant Bank Account' and to remove from the supporting narrative the option of 'service charge' in the title.

The reasoning behind this is to assist member firms, as many have reported difficulties with banks refusing to open new accounts or close existing ones under the current definition. Banks have indicated that when member firms attempt to open a 'Client Account,' it triggers Anti-Money Laundering requirements, which many member firms cannot meet since there is no statutory requirement for them to be registered with HMRC.

The proposed revised wording for 'Compliant Bank Account' includes the existing requirement for member firms to clearly indicate when opening a bank account that the funds will be held in trust. This must be reflected in a clearly titled bank account and accompanied by a bank operating conditions letter.

The revised wording at Annex B has been tested with a bank and legal advisers, both of whom have confirmed that it can be used to open an account without raising concerns related to money laundering, while still providing adequate protection for leaseholders' funds.

#### 2.2.2 Handovers (Annex B, Section 7.2)

The Property Institute proposes to amend the prescribed handovers process from the current two-stage procedure (prior to handover and on the day of handover) to become a three-stage process. The new third stage will allow for specific activities to take place after the handover date. The rationale for this change is that certain information may not be available for the outgoing firm to provide to the incoming firm on the exact handover date.

To promote a common understanding of the new three-stage approach, The Property Institute plans to amend the associated Guidance Note F07<sup>2</sup> (Management Handovers) to include additional guidance in the form of a table detailing the minimum required documents for each of the three stages. The existing version of Guidance Note F07<sup>2</sup> is available for download in the members' area of the TPI website. A relevant extract of the proposed revised guidance is included in Annex C. The standards outline the high-level, principles-based requirements and provide a clear cross-reference to Guidance Note F07<sup>2</sup> for supporting details.

### 2.2.3 Wellbeing (Annex B, Section 8)

Based on the findings from the April to June member firm consultation regarding the Wellbeing Standard, The Property Institute proposes to include this new standard in the revised Consumer Charter and Standards.

The Wellbeing Standard will have voluntary status for the time being. This approach allows member firms time to adopt the standard and enables The Property Institute to use those firms experiences in 2025 to build an evidence base demonstrating the business benefits of adoption. This, in turn, aims to create momentum for the widespread implementation of the standard.

### 2.2.4 Other proposed amendments

Since the publication of the previous edition of the Consumer Charter and Standards, The Property Institute has identified some additional minor amendments, informed by discussions with member firms, including those that took place during member firm audit.

These proposed amendments reflect current best practice, along with some minor changes to improve text formatting and readability, particularly on the following pages in Annex B:

- Consumer Charter (opening page)
- Contract and Charges (Section 2.2)
- Client Matters (Section 3.0)
- Insurance (Section 4.5)
- Arrears and Recovery (Section 4.6), and
- Consultation Section 5.5)

## 2.3 RICS Service Charge Residential Management Code

The current Version 2B of the Consumer Charter and Standards incorporates, among other things, the requirements outlined in the RICS Service Charge Residential Management Code, 3rd Edition ('the RICS Code'). Published in June 2016, the RICS Code applies to leasehold properties in England and is approved by the Secretary of State<sup>3</sup>. A new 4th edition of the RICS Code is expected, although the exact timing of its publication remains unknown.

The Property Institute believes that the proposed changes to the Consumer Charter and Standards, summarised above and detailed in Annex B, are warranted at this time. These changes represent appropriate and necessary enhancements to the current Version 2B, based on experiences gained since the previous version was published.

TPI will continue to regularly review the Consumer Charter and Standards. Member firms will be updated on any developments from this ongoing review, including the identification of further changes to the Consumer Charter and Standards, as well as the anticipated publication of a 4th edition of the RICS Code.

## 2.4 List of consultation questions

The Property Institute welcomes comments on the following consultation questions regarding the proposed changes to the TPI Consumer Charter and Standards.

**2.4.1** Do you agree with the proposed changes to Section 4.1 (Bank Accounts) and the associated revised definition in Section 1 (Definitions)? Y/N. Please give reasons for your answer.

**2.4.2** Do you agree with the proposed changes to Section 7.2 (Handovers) and associated Guidance Note F07? Y/N. Please give reasons for your answer.

<sup>2</sup> Existing version of Guidance Note F07 (Management Handovers) is available as a download on the members area of the [TPI website](#)

<sup>3</sup> Secretary of State approved under Section 87(7) of the Leasehold Reform, Housing and Urban Development Act 1993.

- 2.4.3** Do you agree with the proposed inclusion of Section 8.0 (Wellbeing) with voluntary status for the time being (apart from those elements of Section 8.0 that reference existing health and safety, employment, and equality law)? Y/N. Please give reasons for your answer.
- 2.4.4** Do you have any comments on the other changes being proposed, including but not limited to those about the Consumer Charter, Contract and Charges (Section 2.0), Client Matters (Section 3.0), Insurance (Section 4.5), Arrears and Recovery (Section 4.6), and Consultation (Section 5.5)? Y/N. Please give reasons for your answer.
-



## Chapter 3 – Customer Feedback Tool

### 3.1 Introduction

Since summer 2024, The Property Institute has been collaborating with a third-party supplier to develop a **Customer Feedback Tool** for member firms to use at their discretion.

The proposed Feedback Tool will be centred around a 'TPI Surveys' platform, incorporating a standardised question set designed to structure customer feedback. The Property Institute is in the process of finalising this question set, drawing on input from several member firms and a representative cross-section of leaseholders. This will allow member firms using the tool to collect and analyse accurate customer feedback from their residents.

### 3.2 The proposed 'TPI Surveys' platform and data management

The data generated by the Customer Feedback Tool from resident feedback will be stored on the 'TPI Surveys' platform. The Property Institute proposes that individual participating member firms will have access rights to their own data, but these rights will not extend to viewing data from other participating firms.

Additionally, The Property Institute proposes to collate and analyse high-level anonymised data stored on the platform to strengthen its role as a guardian of professional standards. This macro-level data analysis will help identify areas where we can provide support through our existing product offerings to member firms. The nationwide dataset of anonymised survey information has the potential to reveal trends and issues that The Property Institute can share with all member firms, promoting broader professional continuous improvement. This initiative aims to encourage more firms to participate, enabling them to measure their service levels and respond effectively to their clients' needs.

Individual member firm customer feedback data held on the 'TPI Surveys' platform will not be used by The Property Institute as a formal audit tool. However, The Property Institute is exploring the potential to utilise macro-level data to create benchmarking metrics, which could provide tailored feedback for individual participating member firms. For instance, comparative data may indicate whether a participating firm is performing 10% above or below the current average. This benchmarking data could assist firms in recognising their strengths and identifying areas for improvement in customer service. It is proposed that such tailored feedback be used exclusively by the relevant participating firm and not be shared more broadly, either by the firm or by The Property Institute.

### 3.3 List of consultation questions

The Property Institute welcomes comments on the following consultation questions regarding the proposed Customer Satisfaction Feedback Tool:

- 3.3.1** Do you agree with the proposal for The Property Institute to introduce a Customer Feedback Tool for use by member firms on a voluntary basis? Y/N. Please give reasons for your answer.
  - 3.3.2** Do you agree with the proposal for The Property Institute to establish and maintain a national database - 'TPI Surveys Platform' - containing all customer feedback returns. Y/N. Please give reasons for your answer.
  - 3.3.3** Do you agree with the proposal for The Property Institute to analyse all data held on the 'TPI Surveys Platform' and periodically to publish suitably anonymised reports highlighting trends and key issues to encourage professional continuous improvement by all member firms? Y/N. Please give reasons for your answer.
  - 3.3.4** Do you agree with the proposal for The Property Institute to offer tailored feedback to individual member firms who volunteer to use the Customer Feedback Toolkit, with this tailored feedback to include benchmarking data to encourage those participating firms to act where necessary to improve their customer service performance? Y/N. Please give reasons for your answer.
  - 3.3.5** Linked to 3.3.4, do you agree with the proposal that the tailored feedback for each individual participating firm should be made available to that firm only and not publicised more widely either by the firm or The Property Institute? Y/N? Please give reasons for your answer.
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## Annex A – Manual Consultation Response Form

Please complete questions 1–5 inclusive.

Please complete 6–15 as appropriate.

Please send the completed form to The Property Institute

**no later than 23:59 hours on Monday 28 October 2024.**

Postal address: The Property Institute, 3rd Floor, 2–4 St George's Road, Wimbledon, London, SW19 4DP

Email: [info@tpi.org.uk](mailto:info@tpi.org.uk)

**1 Name:**

**2 Role/Job Title**

**3 Response on behalf of (insert name of firm)**

**4 Membership status**

Please tick as appropriate:

Member Firm

Associate

Other

**5 Type of Organisation**

Please tick as appropriate:

Managing Agent

Landlord/Freeholder

RMC

Other

### Chapter 2 – Proposed changes to The Property Institute Consumer Charter and Standards

**6 Do you agree with the proposed changes to Section 4.1 (Bank Accounts) and the associated revised definition in Section 1 (Definitions)?**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

**7 Do you agree with the proposed changes to Section 7.2 (Handovers) and associated Guidance Note F07?**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

**8 Do you agree with the proposed inclusion of Section 8.0 (Wellbeing) with voluntary status for the time being (apart from those elements of Section 8.0 that reference existing health and safety, employment, and equality law)?**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

**9 Do you have any comments on the other changes being proposed, including but not limited to those about the Consumer Charter, Contract and Charges (Section 2.0), Client Matters (Section 3.0), Insurance (Section 4.5), Arrears and Recovery (Section 4.6), and Consultation (Section 5.5)? Y/N. Please give reasons for your answer.**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

### Chapter 3 – Proposed Customer Satisfaction Feedback Tool

**10 Do you agree with the proposal for The Property Institute to introduce a Customer Feedback Tool for use by member firms on a voluntary basis?**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

**11 Do you agree with the proposal for The Property Institute to establish and maintain a national database – ‘TPI Surveys Platform’ – containing all customer feedback returns.**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

**12 Do you agree with the proposal for The Property Institute to analyse periodically all data held on the ‘TPI Surveys Platform’ and periodically to publish suitably anonymised reports highlighting trends and key issues to encourage professional continuous improvement by all member firms?**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

- 13 Do you agree with the proposal for The Property Institute to offer tailored feedback to individual member firms who volunteer to use the Customer Feedback Toolkit, with this tailored feedback to include benchmarking data to encourage those participating firms to act where necessary to improve their customer service performance?**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

- 14 Linked to question 13, do you agree with the proposal that the tailored feedback for each individual participating member firm should be made available to that firm only and not publicised more widely either by the firm or The Property Institute? Y/N. Please give reasons for your answer.**

Please tick as appropriate:

Yes  No

Please give reasons for your answer:

### Further Comments

- 15 If you have any further comments on the proposed changes outlined in this consultation paper, please include them in the box below.**

## Annex B – Proposed revisions to the Consumer Charter and Standards

### Consumer Charter

**The TPI Consumer Charter covers the work of residential managing agents and requires the highest standards of client and customer service.**

TPI members will adopt the Charter and must:

- I. Be honest, fair, open, [ethical](#) and transparent and provide a timely and professional service with access to the information needed;
- II. Act with skill, care, diligence and without discrimination;
- III. Make sure that all their staff are appropriately trained and knowledgeable;
- IV. Have [or have had during their management tenure](#), written terms of business;
- V. Provide their Complaints Handling Procedure specifying the Ombudsman Scheme to which they subscribe;
- VI. Comply with all relevant legal requirements and relevant codes of practice;
- VII. Avoid conflicts of interest;
- VIII. Maintain clear, accurate and up-to-date financial records;
- IX. Ensure that any client money held is held separately from the managing agent's other monies;
- X. Hold appropriate Professional Indemnity Insurance;

added: [ethical](#)

added: [or have had during their management tenure](#)

## Standards

### 1.0 Definitions applicable in the Standards

Throughout the Standards reference to the masculine includes the feminine and reference to the singular includes the plural and vice versa.

#### Administration Charges

An amount payable by a Leaseholder for a service under a lease in addition to any Ground Rent or Service Charge.

#### Annual Declaration

An annual declaration In Writing made with the Service Charge Accounts.

#### Associated Company

A person, corporation or organisation with an association to the Client and/or Managing Agent. This can include but is not limited to: business associates; the directors or controllers of a limited company; partners in a partnership (and the partnership itself) and the officers or managers of an unincorporated association; as well as in-house service providers. The term 'associate' includes a sibling, spouse, civil partner, in-law, aunt, uncle, cousin, niece, nephew, parent, child, grandparent and grandchild.

#### Client

A person, organisation or company that has instructed a Managing Agent to act on its behalf.

#### Compliant Bank Account

A bank account used for holding Client Money separately from the Managing Agent's own money which includes either 'client' or 'trust' in its title and is held at a recognised bank (an institution authorised by the Financial Services and Market Act 2000) or a deposit account of a building society (within the meaning of the Building Societies Act 1986) by way of statutory trusts in accounts established in accordance with S.42 Landlord and Tenant Act 1987.<sup>4,5</sup>

*replaced client with compliant*

*replaced words in its title to clearly indicate that it is 'Client Money' with either 'client' or 'trust' in its title*

#### Client Instruction

Instructions received by a Managing Agent from a Client and recorded In Writing.

#### Client Money

All money held or received by a Managing Agent over which they have exclusive control but which does not belong to their organisation. Client Money must be held in a Compliant Bank Account.

*added: exclusive*

*replaced client with compliant*

#### Ground Rent

A rent payable under the Lease.

#### In Writing

Typed or handwritten record, notice, email, fax or in Braille.

#### Landlord

A Landlord includes any person who has a right to enforce payment of a charge. This will include any person, corporate or Limited Liability Partnership that has a right to collect monies under a long lease including Ground Rent and Service Charge Monies. This will also include RMC and RTM companies.<sup>6</sup>

#### Lease

The legal contract between the Landlord and the Leaseholder by which the Leaseholder has exclusive possession of a property (flat or house) setting out the terms and conditions that both parties must comply with, including any deed of variation.

#### Leaseholder

The person who, or company or Limited Liability Partnership that, owns the leasehold interest and is liable to pay the Service Charge and/or Ground Rent under the terms of the Lease. Sometimes referred to in law as a tenant.

<sup>4</sup> See: S.42 Landlord and Tenant Act 1987

<sup>5</sup> See: S.58 Landlord and Tenant Act 1987 (exempt Landlords)

<sup>6</sup> See: S.30 Landlord and Tenant Act 1985

**Management Fee**

The remuneration of the Managing Agent for managing the Services comprised in the Management Agreement or otherwise instructed by the Client.

**Managing Agent**

A person or organisation that acts on behalf of the instructing party within terms of reference and/or instructions from the instructing party, subject to any legal restrictions.

**Management Agreement**

An agreement In Writing between the Managing Agent and the Client containing a statement of the duties and Services to be provided, the Management Fee to be charged and how the Managing Agent will routinely monitor the quality and cost effectiveness of all Services.

**Must**

An obligation to adhere to the Standard.

**Property Chamber**

A first-tier tribunal to which residential Leaseholders and Landlords may take certain disputes for a determination.

**Proportionate Charge**

A reasonable charge, fee or commission which may include a profit.

**Reserve Fund**

A fund that builds up over the years to pay for repairs and other work to a property. Sometimes referred to as a sinking or cyclical fund.

**Residents' Association**

A group of Leaseholders with or without a formal constitution or corporate status. It is also possible to have a Residents' Association 'recognised' by law and with a formal constitution.

This is known as a 'Recognised Tenants' Association' which applies where a Residents' Association successfully gains formal recognition from the Landlord or the Property Chamber. Formal recognition confers extra rights.

**Residents' Management Company (RMC)**

An organisation which may be referred to in the Lease, which is responsible for the provision of Services, but which does not necessarily have any legal interest in the property.

**Right to Manage Company (RTM)**

A specific company created by the Commonhold and Leasehold Reform Act 2002 enabling qualifying Leaseholders of the building to take on the management without proving fault. RTM is particular to leasehold property.

**Section 20B Notice**

A time limited notification In Writing under S.20B Landlord and Tenant Act 1985 that costs have been incurred and the Leaseholder is required under the terms of the Lease to contribute to them by the payment of a Service Charge.

**Service Charge/Variable Service Charge**

An amount payable by a Leaseholder as part of, or in addition to, rent in respect of services, repairs, maintenance, insurance, improvements or costs of management. Where the amount may vary according to the costs incurred or to be incurred this is called a 'Variable Service Charge'. If the Service Charge is fixed under the terms of the Lease, this is referred to as a 'fixed service charge'.

The service charge provisions of the Landlord and Tenant Act 1985 and 1987 do not apply to fixed service charges.

For the purposes of S.42 Landlord and Tenant Act 1987 the term 'service charge' does not include service charges payable under the terms of a tenancy which is regulated by the Rent Act 1977, unless the rent is registered as a variable rent on the basis that service charges are payable which vary according to the costs payable from time to time.



**Service Charge Accounts**

The statement or statements prepared to account for Service Charges.

**Service Charge Monies**

The money paid by Leaseholders in respect of Service Charges.

**Services**

Works (such as maintenance and repair of the fabric and structure), insurance and true services such as the provision of lighting, cleaning, security, utilities, etc.

**Should**

An obligation to adhere to the Standard unless there is a justifiable reason not to comply that the Managing Agent must be able to demonstrate.

**Statutory Instrument (SI)**

Regulations or an Order made by the Secretary of State to supplement primary legislation and which must be complied with.

**Superior Landlord**

Any person(s) entitled to any estate of interest superior to the interest of the Landlord in the property and includes the person.

*added: Superior Landlord  
Any person(s) entitled to any estate  
of interest superior to the interest  
of the Landlord in the property and  
includes the person.*

**Test of Reasonableness**

To be fair and reasonable having regard to the circumstances.<sup>7</sup>

**Void Service Charge**

The Landlord's irrecoverable Service Charge expenditure where there is no lease of a unit.

<sup>7</sup> See: Ss. 19 and 27A Landlord and Tenant Act 1985 (as inserted by S.155(1) Commonhold and Leasehold Reform Act 2002)

## Part 2 – Instructing a Managing Agent

### 2.0 Instructing a Managing Agent

#### 2.1 New Business & Tendering

When seeking new business the Managing Agent:

- a) Must not seek business by methods involving the use of any misleading or inaccurate statements;
- b) Should ask about any on-going disputes, request relevant documentation and agree In Writing who has responsibility for resolution;
- c) Must understand and fulfil the obligations to Clients and potential Clients contained within the Provision of Services Regulations 2009;
- d) Must make it clear what services they are proposing to provide and at what cost, as well as the extent and limit of any additional services available;
- e) Must not purposely underestimate costs or provide misleading estimates of future Service Charge contributions required;
- f) Should quote their Management Fee as a fixed fee, unless the Lease specifies otherwise;
- g) Should pre-agree charges;
- h) Must only incorporate an RTM on the instruction of a Leaseholder In Writing and must serve notices inviting participation within a reasonable time;
- i) Should not act as a director of a RMC or RTM without an instruction In Writing from another director of that company or in the case of an RMC, from a developer Client.

#### 2.2 Contract & Charges

##### 2.2.1 Leases

Should have a copy of the Lease for every unit in Management.

*added: 2.2.1 Leases Should have a copy of the Lease for every unit in Management.*

##### 2.2.2 Management Agreement

When agreeing a contract and charges for management services the Managing Agent:

- a) Should upon commencement of the initial term of management, enter into a Management Agreement signed by all parties to that agreement;
- b) Should for second and subsequent terms of management, use reasonable endeavours, to be evidence In Writing, to obtain a further Management Agreement;
- c) Should agree with the Client, and clearly set out, who is responsible for all health and safety and building safety;
- d) Should agree and clearly detail the length of appointment prior to commencement together with any process for renewal, the Management Fee, review of the Management Fee (if the Management Fee is agreed to be subject to indexation, the index to which it is linked should be agreed in advance In Writing) and the provisions for termination and handover;
- e) Must clearly state the period of notice or penalty charges for early termination in the termination provision;
- f) Must ensure that every Leaseholder is provided with full contact details of the Managing Agent;
- g) Should subsequently make available a basic summary of their contractual terms and duties to Leaseholders on request.
- h) Must ensure that the written management contract complies with the Supply of Goods and Services Act 1982 (as amended) and the Provision of Services Regulations 2009;<sup>8</sup>
- j) Must ensure that a charge made for any other service not covered by the Management Fee is a Proportionate Charge.

*added: 2.2.2 Management Agreement*

*added: upon commencement of the initial term of management*

*added: b) Should for second and subsequent terms of management, use reasonable endeavours, to be evidence In Writing, to obtain a further Management Agreement;  
c) Should agree with the Client, and clearly set out, who is responsible for all health and safety and building safety;*

*replaced b c d e f g with d e f g h i*

<sup>8</sup> See: Ss.13, 14 and 15 Supply of Goods and Services Act 1982  
See: Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083). (Amended by the Unfair Terms in Consumer Contracts (Amendment) Regulations (SI 2001/1186))

## 2.3 Annual Declaration

The Annual Declaration is defined as “An annual declaration In Writing made with the Service Charge Accounts.”

The Managing Agent:

- a) Must make an Annual Declaration to the Client and to Leaseholders, identifying all other sources of income and related income or other benefits it has received in relation to the Service Charge including insurance fees, interest, Associated Companies and in-house service providers;
- b) It is best practice to make an Annual Declaration to the Client and to Leaseholders, identifying all other amounts of income and related income or other benefits in relation to the Service Charge including insurance fees, interest, Associated Companies and in-house service providers.

## 2.4 New Developments

When dealing with new developments the Managing Agent:

- a) Must not purposely underestimate or provide misleading estimates of future Service Charge contributions;
- b) Should agree arrangements for Void Service Charge In Writing with the developer unless these are specified in the Lease so as to prevent the risk of Leaseholders paying a higher Service Charge than they would if there was no Void Service Charge payable.

## 3.0 Client Matters

### 3.1 Manager by Order of the Property Chamber

Prior to any appointment, the proposed manager Must make adequate enquiries, prepare the draft order, and ensure that he or she is competent and has the resources to carry out the duties and functions required and the capability of resolving the problems and deficiencies of the present management.

Where the manager is an employee of a Company Member, they are expected to have an agreement with their employer as to the arrangements with the Member to support their appointment In writing.

When acting as an appointee of the Property Chamber the manager Must comply with the terms of any order issued by the Property Chamber.<sup>9</sup>

*added: Where the manager is an employee of a Company Member, they are expected to have an agreement with their employer as to the arrangements with the Member to support their appointment In writing.*

### 3.2 Residents' Association

Where there is no RMC or RTM in existence, Managing Agents when requested, Should facilitate the formation of and co-operate with a properly constituted Residents' Association.<sup>10</sup>

#### 3.2.1 Granting Voluntary Recognition

Subject to Client instruction, Managing Agents Should have a procedure by which to give voluntary recognition to Residents' Associations that can demonstrate that they meet the requirements for statutory recognition, without recourse to the Property Chamber.

The procedure adopted for voluntary recognition Must be set out In Writing when recognition is first given and procedures put in place to ensure that these criteria are continually met to ensure that the Residents' Association continues to act in the interests of the majority of Leaseholders in a fair and democratic manner.

#### 3.2.2 Recognised Residents' Association

Where there is a recognised Residents' Association (including voluntary recognition) the Managing Agent:

- a) if requested to do so, Must send a summary of Service Charges to the secretary and provide an opportunity for the secretary to inspect the accounts, receipts and other documents supporting the Service Charge;<sup>11</sup>
- b) Must comply with their right to appoint a qualified surveyor and/or qualified accountant to advise on the Service Charge;<sup>12</sup>

<sup>9</sup> See: Ss.21–24 Landlord and Tenant Act 1987 (as amended by the Commonhold and Leasehold Reform Act 2002)

<sup>10</sup> See: S.29 Landlord and Tenant Act 1985

<sup>11</sup> See: Ss.21 and 22 Landlord and Tenant Act 1985

<sup>12</sup> See: S.84 and schedule 4 Housing Act 1996

- c) Must comply with their right to a Management Audit;<sup>13</sup>
- d) Should comply with their right to request details relating to the appointment or re-appointment of a Managing Agent;<sup>14</sup>
- e) if requested to do so, Must provide the secretary with a written summary of the insurance cover within a period of 21 days;<sup>15</sup>
- f) if requested to do so, provide for inspection of the insurance policy together with any supporting documents giving evidence of payment of premiums due in the current period and that immediately preceding it;<sup>16</sup>
- g) Must comply with their right to nominate a contractor for major works and long-term agreements following service of the Notice of Intention;<sup>17</sup>
- h) Should arrange with the chairman or other responsible officer to nominate a substitute officer to receive notices on their behalf if there is no secretary.

added: or re-appointment  
added: the insurance

### 3.3 Assignments, Alterations, Improvements & Other Permissions

When dealing with assignments, alterations, improvements or other permissions required from a Landlord the Managing Agent:

- a) Should have pre-agreed procedures in place for responding to requests from Leaseholders for permissions required under the Lease;
- b) Should ensure the Lease terms are complied with and avoid imposing any restrictions that are not provided for within the Lease;
- c) Must seek Client Instructions in a timely manner if the Management Agreement does not contain express authority to deal with a request directly;
- d) Should ensure that any permission is not unreasonably withheld.

added: pre-agreed

### 3.4 Breach of Covenant, Enforcement & Forfeiture Proceedings

Prior to and when dealing with any breach of covenant, enforcement or forfeiture proceedings the Managing Agent:

- a) Should take reasonable steps to monitor and record non-compliance with Lease covenants on an on-going basis;
- b) Should take reasonable steps to check the reliability of the relevant facts when dealing with reports of non-compliance with Lease covenants from third parties;
- c) Should bring any material breach of covenant to the Client's attention without delay, and seek Client Instructions as to any enforcement action required together with confirmation that the Client will be responsible for the costs unless these are recovered from the Leaseholder(s);
- d) Must have procedures in place, as agreed with their Client, to remedy any breaches of covenant in a timely manner;
- e) Must be aware of the doctrine of waiver and ensure that they do not compromise their Client's right to take forfeiture action.

### 3.5 Lease Extension & Enfranchisement

When dealing with Lease extensions and enfranchisement the Managing Agent Must:

- a) have appropriate procedures in place for dealing with any notices in a timely manner;
- b) not act outside their area of professional competence and Must hold adequate professional indemnity insurance.

### 3.6 Lease Variations

When dealing with variations to Leases the Managing Agent Must:

- a) have appropriate instructions In Writing from the Client to act;
- b) not act outside their area of professional competence and must hold adequate Professional Indemnity Insurance.<sup>18</sup>

<sup>13</sup> See S.76 Leasehold Reform, Housing and Urban Development Act 1993

<sup>14</sup> See: S.30B Landlord and Tenant Act 1985 (as inserted by s44 – Landlord and Tenant Act 1987)

<sup>15</sup> See: Schedule – Landlord and Tenant Act 1985 (as amended by schedule 10 (8 and 9) – Commonhold and Leasehold Reform Act 2002)

<sup>16</sup> See: S.30A Landlord and Tenant Act 1985 (as inserted by S.43(1) Landlord and Tenant Act 1987 and modified by paragraph 5 of schedule 7 Commonhold and Leasehold Reform Act 2002)

See: Schedule 1 Landlord and Tenant Act 1985 (substituted by schedule 10 Commonhold and Leasehold Reform Act 2002)

<sup>17</sup> See: S.20 Landlord and Tenant Act 1985 (as amended by S.151 – Commonhold and Leasehold Reform Act 2002)

See: Service Charges (Consultation Requirements) (England) Regulations (SI 2003/1987)

<sup>18</sup> See: Ss.35–40 Landlord and Tenant Act 1987

## 4.0 Financial Matters

### 4.1 Bank Accounts

If holding Client Money, the Managing Agent Must open one or more [Compliant](#) Bank Accounts.<sup>19</sup>

On opening a [Compliant](#) Bank Account the Managing Agent:

- a) Must give or receive notice In Writing to or from the bank or building society concerned:
  - i) that all money to the credit of that account is Client Money and that the bank or building society is not entitled to combine the account with any other account or to exercise any right of set-off or counterclaim against money in that account in respect of any sum owed to it on any other of the Managing Agent's accounts;
  - ii) that any interest payable in respect of sums credited to the account should be credited to that account;
  - iii) that they request the bank or building society to acknowledge In Writing that it accepts such notice.
- b) Should inform all Leaseholders:
  - i) of the name and address of the institution where their money is held;
  - ii) of the account name;
  - iii) whether or not it is an interest bearing account and if it is, the withdrawal notice period and any restrictions on withdrawal. If not immediately accessible, such restrictions will require the Client's approval In Writing.
- c) Must keep properly written up general records to show all dealings with Client Money received, held or paid and to show all dealings through [Compliant](#) Bank Accounts on behalf of that Client and enable the current balance of that [Compliant](#) Bank Account to be shown. Records Should be retained for at least 12 years from the date of the last entry;
- d) Must carry out reconciliations of their cash books with the [Compliant](#) Bank Account statements and with the Client ledger balances on a monthly basis within four weeks of the [date of reconciliation](#) and keep a record of this. Discrepancies Must be investigated and shortfalls on [Compliant](#) Bank Accounts Must be made good within a reasonable period of time;
- e) At appropriate intervals, Should review old and unidentified balances and resolve where possible. Company Members Should take prompt action to identify the owners of any unidentified Client Monday received and pay this from a Compliant Bank Account to a registered charity where the owner cannot be identified after three years from receipt and all avenues of investigation have been exhausted. Furthermore, they should obtain a receipt and an indemnity for all Client Monday paid to a registered charity that would reimburse the Company Member for payment of the monies if a beneficiary is subsequently identified.
- f) Should send a written account to the Client (unless requested otherwise) for all Client's Money held, paid or received, (whether or not there is any payment due to the Client) at appropriate intervals agreed with the Client but Must not be less than once a year;
- g) Should have adequate payment systems and controls in place to ensure segregation between payment set up and payment approval of their banking platform;
- h) Should have adequate procedures in place to validate new or existing online banking payments;
- i) Should pay any Client's Money received into a [Compliant](#) Bank Account within five working days after receipt;
- j) Must pay any cheque or banker's draft which includes any element of Client's Money into a [Compliant](#) Bank Account before withdrawing any monies which are due to the Managing Agent from that Client;
- k) Must not endorse cheques;
- l) Should never overdraw a [Compliant](#) Bank Account;
- m) Must never use one trust fund for the benefit of another trust fund;
- n) Must not withdraw money from a [Compliant](#) Bank Account unless:
  - i) it is the Managing Agent's own money paid into a [Compliant](#) Bank Account for the purpose of opening or maintaining the account;
  - ii) it is for payment to a Client (this must be the designated Client if a specific [Compliant](#) Bank Account is held for that Client);
  - iii) it is for duly authorised payment on behalf of a Client to a third party;
  - iv) it is for payment of the Managing Agent's fees and/or disbursements provided these have been approved by the Client;
  - v) it was paid in by mistake.

replaced client with [compliant](#)

replaced client with [compliant](#)

replaced client with [compliant](#)  
 replaced client with [compliant](#)  
 replaced should with [must](#)  
 replaced client with [compliant](#)  
 replaced that month end with [date of reconciliation](#)  
 replaced client with [compliant](#)

added: e) At appropriate intervals, Should review old and unidentified balances and resolve where possible. Company Members Should take prompt action to identify the owners of any unidentified Client Monday received and pay this from a Compliant Bank Account to a registered charity where the owner cannot be identified after three years from receipt and all avenues of investigation have been exhausted. Furthermore, they should obtain a receipt and an indemnity for all Client Monday paid to a registered charity that would reimburse the Company Member for payment of the monies if a beneficiary is subsequently identified.

replaced e with f

added: g) Should have adequate payment systems and controls in place to ensure segregation between payment set up and payment approval of their banking platform;  
 h) Should have adequate procedures in place to validate new or existing online banking payments;

replaced f with i  
 replaced client with [compliant](#)  
 replaced either on the same with [within five](#)  
 replaced i with j  
 replaced client with [compliant](#)  
 replaced h with k  
 replaced i with l  
 replaced client with [compliant](#)  
 replaced j with m  
 replaced k with n  
 replaced client with [compliant](#)  
 replaced client with [compliant](#)

<sup>19</sup> See: The Service Charge Contributions (Authorised Investments) Order 1988 (SI 1988/1284. Amended by the Financial Services and Market Act 2000 (Consequential Amendments and Repeals Order 2001 (SI 2001/3649))

## 4.2 Service Charge Monies

On opening a Client Bank Account the Managing Agent:

- a) Must hold this money, and any interest accruing, by way of trust funds in a [Compliant Bank Account](#);
- b) Should only use the monies to meet the expense for which the money has been collected within the overall context of the annual budget;
- c) Should obtain and retain documentation with sufficient information for authorisation of payment.

*replaced client with [compliant](#)*

### 4.2.1 Budgets & Estimates

When dealing with Service Charge budgets and estimates the Managing Agent:

- a) Should only seek to recover estimated or interim Service Charges if the Lease permits and in the manner permitted by the Lease;
- b) Must be able to justify that Service Charges are reasonable;<sup>20</sup>
- c) Must not purposely underestimate or overestimate costs or provide Leaseholders with misleading estimates of future contributions required having regard to the age and condition of the building and plant and the Services being considered;
- d) Must seek approval from the Client prior to demanding any Service Charges unless specific authority has been delegated to the Managing Agent for Service Charge budgets;
- e) Must ensure that the budget has sufficient detail of the charges being levied to justify the level of estimated expenditure;
- f) Should support initial Service Charge demands with a copy of the budget approved by the client;
- g) Should notify Leaseholders of significant departures from the budget and Must be willing and able to explain the reasons for them on request.

### 4.2.2 Reserve Funds

When dealing with Reserve Funds the Managing Agent:

- a) Must only collect these if permitted by the Lease;
- b) Must only collect and spend Reserve Funds on those items prescribed in the Lease. If Leaseholders are contributing to different costs, the funds should be differentiated by way of different Service Charge schedules as prescribed by the Lease;
- c) Must be able to justify that contributions satisfy the Test of Reasonableness;<sup>21</sup>
- d) Must ensure that Reserve Funds are held in a [Compliant Bank Account](#);<sup>22</sup>
- e) Must hold the funds in an interest bearing account in accordance with current regulations and interest must be credited to the trust account;
- f) Should review the level of contributions annually as part of the budget process;
- g) Must not use Reserve Funds to finance year-end deficits on the Service Charge account if the Lease does not [allow it](#);
- h) Must not distribute Reserve Funds to a Leaseholder at the termination or assignment of a Lease, subject to any express terms of the Lease relating to distribution.

*replaced as trust funds with [Compliant Bank Account](#)*

*replaced permit borrowing from the Reserve Fund with [allow it](#)*

### 4.2.3 Service Charge Collection

When sending demands for Service Charges the Managing Agent Must:

- a) send demands with a summary of tenants' rights and obligations before they become payable and in accordance with English or Welsh regulations as appropriate;<sup>23</sup>
- b) ensure that demands are clear and legible and comply with the terms of the Lease.

### 4.2.4 End of Year Service Charge Accounts

Where the Lease sets out the way in which Service Charges are to be accounted for, then the requirements of the Lease Must be followed. Managing Agents Should also follow the guidance contained in the publication Residential Service Charge Accounts Technical Release 03/11 issued by the professional accountancy bodies jointly with the Association of Residential Managing Agents ([now The Property Institute](#)) and the Royal Institution of Chartered Surveyors [or any later version](#).

*added: ([Now the Property Institute](#) replaced [with or any other version](#).)*

Managing Agents Must always prepare documentation to enable the production of Service Charge Accounts.

Service Charge Accounts Should be distributed within 18 months of the date expenditure exceeded the budget or any tighter timescales that are required by the Lease and copies made available to all Leaseholders paying Variable Service Charges.

<sup>20</sup> See: Ss. 19 and 27A Landlord and Tenant Act 1985 (as inserted by S.155(1) Commonhold and Leasehold Reform Act 2002)

<sup>21</sup> See: Ss. 19 and 27A Landlord and Tenant Act 1985 (as inserted by S.155(1) Commonhold and Leasehold Reform Act 2002)

<sup>22</sup> See: S.42 Landlord and Tenant Act 1987

<sup>23</sup> See: S.21B Landlord and Tenant Act 1985

If Service Charge Accounts are not distributed within 18 months of the date expenditure exceeded the budget, a Section 20B Notice Should be served on an interim basis and any such notice Must be followed by Service Charge Accounts and a compliant demand, within a reasonable time.<sup>24</sup>

added: and a compliant demand

When preparing Service Charge Accounts the Managing Agent:

- a) Must ensure these, and any supporting documents, are transparent in that they reflect all the expenditure in respect of the accounting period whether paid or accrued;
- b) Must not distribute interest earned to the contributing Leaseholders but show this as a credit in the Service Charge Accounts and this Should be retained within the fund and used to defray Service Charge expenditure;
- c) Must follow the requirements of the Lease where the Lease sets out the way in which surplus and/or deficits shall be accounted for. Where the Lease does not, Managing Agents Must follow S.19(2).<sup>25</sup>

#### 4.2.5 Statutory Information

When requested In Writing by a Leaseholder the Managing Agent Must provide a summary In Writing of the Service Charge costs from the Landlord.<sup>26</sup>

When requested In Writing by a Leaseholder the Managing Agent Must provide for the inspection of the accounts, receipts and other documents supporting the summary of relevant costs as a follow-up, to provide more detail on the summary.<sup>27</sup>

### 4.3 Ground Rent & Other Income

#### 4.3.1 Ground Rent

Managing Agents Must only seek to recover Ground Rents which are provided for within the Lease and where they have instructions to do so by the Client and in accordance with the Lease and statutory requirements using the prescribed form.<sup>28</sup>

replaced instructed with they have instructions

added: lease and

#### 4.3.2 Other Income

If funds are collected through the Articles of Association of an RMC or RTM and held by the Managing Agent, they Must be treated as Client Money.

replaced permit borrowing from the Reserve Fund with allow it

### 4.4 Administration Charges

The Managing Agent Must:

- a) agree with the Client any fees payable outside the Management Agreement for services for which Administration Charges may be made and retained by the Managing Agent in addition to those set out in the Lease or by statute;
- b) only seek to recover Administration Charges that are provided for within the Lease, by statute, under the Management Agreement or by separate instruction;
- c) ensure that any payment of Administration Charges due to the Client or another person shall be paid without unreasonable delay with a statement of account if appropriate;
- d) ensure that only a Proportionate Charge is made for Administration Charges if raised;
- e) ensure that demands for Administration Charges are accompanied by a summary of tenants' rights and obligations before they become payable in accordance with the English or Welsh regulations as appropriate.<sup>29</sup>

<sup>24</sup> See: S.20B Landlord and Tenant Act 1985

<sup>25</sup> See: S.19(2) Landlord and Tenant Act 1985

<sup>26</sup> See: S.21(2) Landlord and Tenant Act 1985

<sup>27</sup> See: S.22 Landlord and Tenant Act 1985

<sup>28</sup> See: S.166 Commonhold and Leasehold Reform Act 2002

See: Landlord and Tenant (Notice of Rent) (England) Regulations 2004 (SI 2004/3096)  
See: Landlord and Tenant (Notice of Rent) (Wales) Regulations 2005 (SI 2005/1355)

<sup>29</sup> See: Schedule 11 Commonhold and Leasehold Reform Act 2002

See: Administration Charges (Summary of Rights and Obligations) (England) Regulations 2007 (SI 2007/1258)

added: See: Landlord and Tenant (Notice of Rent) (Wales) Regulations 2005 (SI 2005/1355)

#### 4.5 Insurance

Managing Agents Must not advise, arrange or administer insurance or handle claims unless they are either licensed under the RICS Designated Professional Body Scheme or directly authorised to do so under the rules of the Financial Conduct Authority (this requirement does not apply to registered social landlords acting as a Managing Agent, an exempt professional firm or a Managing Agent acting in the capacity of company secretary [and placing insurance in that capacity as an officer of the company](#)).

added: [and placing insurance in that capacity as an officer of the company](#)).

When dealing with insurance, the Managing Agent:

- a) Should ensure the appropriate cover is in place and that it meets the requirements set out in the Lease;
- b) At renewal, Should ensure the extent of cover, sum insured and the level of premiums are reviewed;
- c) Should ensure that any notification of risk improvements received following an insurer's inception survey or other survey are completed [within the timeline given by the insurer](#);
- d) Must be able to justify that insurance costs satisfy the Test of Reasonableness;<sup>30</sup>
- e) Should treat any excess as instructed by the Client unless otherwise prescribed in the Lease;
- f) Must not receive any income from any insurance premiums they, or any Associated Company, have dealt with other than to receive a Proportionate Charge for services provided;
- g) Must only request a payment for handling insurance activities if:
  - i) this is a Proportionate Charge;
  - ii) this is disclosed and agreed In Writing with the Client;
  - iii) the source is included within the Annual Declaration.
- h) Must disclose In Writing the amount of the Proportionate Charge if requested by a Leaseholder.

replaced in a timely manner with [within the timeline given by the insurer](#)

#### 4.6 Arrears & Recovery

Managing Agents Must have a written procedure for monitoring arrears and debt recovery which is clearly, consistently and reasonably applied and, if necessary, tailored for individual Clients. Clients Must be made aware of those procedures, how far they will go and at what stage the Client may have to pay or indemnify the Managing Agent if further action is taken. When dealing with arrears the Managing Agent:

- a) Must inform the Client promptly In Writing of any situation involving significant arrears and take the Client's Instruction as to the next steps or have agreed standing instructions in place;
- b) Must ensure that if permitted to charge a Leaseholder a fee for arrears letters, then that fee is a Proportionate Charge;
- c) [Must ensure that all debt recovery action is paused if the Client is given a breathing space as per the Debt Respire Scheme](#);<sup>31</sup>
- d) Should have regard to the Practice Directions on Pre-Action Protocol made under the Civil Procedure Rules prior to commencing any court action;<sup>31</sup>
- e) Should have procedures in place to guard against the possibility of waiver of the right to forfeiture when acting on behalf of the freeholder or head Landlord with a reversionary interest.

added: c) [Must ensure that all debt recovery action is paused if the Client is given a breathing space as per the Debt Respire Scheme](#);<sup>31</sup>

#### 4.7 Money Laundering

Managing Agents Must have regard to and comply with the guidance contained in the publication 'Guidance Note – D11 Money Laundering for Managing Agents' issued by the Association of Residential Managing Agents.

### 5.0 Management Matters

#### 5.1 Contractor Appointment & Administration

When appointing a contractor the Managing Agent Must not exceed the authority given to them by the Client and:

- a) Should recommend contractors suitable and competent to provide the service to a reasonable standard having due regard to the size and nature of the contract, cost, efficiency, quality, and value for money;

<sup>30</sup> See: Ss. 19 and 27A Landlord and Tenant Act 1985 (as inserted by S.155(1) Commonhold and Leasehold Reform Act 2002)

<sup>31</sup> See: [Debt Respite Scheme \(Breathing Space Moratorium and Mental Health Crisis Moratorium\) \(England and Wales\) Regulations 2020](#)

added: c) [Must ensure that all debt recovery action is paused if the Client is given a breathing space as per the Debt Respire Scheme](#);<sup>31</sup>



- b) Must require that all contractors comply with health and safety legislation, [fire and building legislation](#) and Should comply with current Health and Safety Executive, [Home Office and Department of Levelling Up Housing and Communities](#) Guidance Notes, and Must maintain appropriate and current public liability insurance (contractor or Client);
- c) Must comply with the Construction (Design and Management) Regulations 2015;<sup>32</sup>
- d) Should agree prior to commencing a competitive tender process the specification and frequency of service delivery or standard with the Client;
- e) when undertaking a competitive tender process, Must select from a minimum of two contractors, at least one of whom is unconnected with the Client and Managing Agent, and provided with contracts In Writing appropriate to the scope of works;
- f) Must be able to demonstrate, if requested, how and why it appointed contractors, including cases in which it decided not to carry out a competitive tendering process;
- g) Must ensure that sufficient funds will be available to meet the payments due prior to committing to expenditure;
- h) Must be able to justify that the costs of work satisfy the Test of Reasonableness;<sup>33</sup>
- i) Should ensure the contractor takes appropriate care to avoid damage or unreasonable disturbance, and remedies any damages in a timely manner;
- j) Must have appropriate control systems in place to ensure that works have been completed to an acceptable standard;
- k) Must have a procedure in place to deal with complaints by Leaseholders alleging unsatisfactory work or damage;

added: [fire and building legislation](#)

added: [Home Office and Department of Levelling Up Housing and Communities](#)

## 5.2 Repairs, Maintenance, Renewals & Improvements

When dealing with repairs, maintenance, renewals and improvements the Managing Agent:

- a) Must not exceed the level of authority specified in the Management Agreement;
- b) Must take reasonable care to see that anyone who could be affected by the work or the condition of the property is safe from [harm](#) and from damage to their property;
- c) where responsible under the terms of the Lease or by statute for repairs, Must adhere to the obligations for inspection of the property and to view its condition. If this is stated in the Management Agreement, then it Must be complied with and records maintained;
- d) Should advise their Client about a programme of cyclical maintenance and servicing contracts for parts of the building, including plant and services, which require regular maintenance where the Lease does not set out a maintenance regime;
- e) Must ensure that procedures are in place to deal with repairs and maintenance within appropriate timescales having regard to the urgency of the matter and the availability of funds;
- f) Should monitor works and take appropriate steps to ensure completion in a reasonable time and to a reasonable standard so that, unless they are of a temporary nature, they do not need to be repeated within an unnecessarily short period;
- g) Should have procedures in place for dealing with urgent out-of-hours emergency repair work.

replaced personal injury with [harm](#)

## 5.3 Staff Employment & Staff Management

The Managing Agent Must clearly define the employer of any staff [are](#) and all documentation issued should reflect this. Where agency staff are employed there Should be an appropriate agency contract.

replaced is with [are](#)

When the Managing Agent is the employer of staff, the Managing Agent Must:

- a) consider and follow TUPE Regulations if applicable;<sup>34</sup>
- b) fully comply with the requirements of the Equality Act 2010 and other relevant legislation;<sup>35</sup>
- c) issue all staff with a contract of employment and job description which clearly defines their duties and responsibilities as agreed with the Client;
- d) put procedures in place and follow these to induct and provide on-going training to ensure staff are professionally competent to undertake their defined duties;
- e) display a copy of its current 'certificate of employers' liability insurance' at each place of business at which staff are employed;<sup>36</sup>

<sup>32</sup> See: Construction (Design and Management) Regulations 2015

<sup>33</sup> See: Ss. 19 and 27A Landlord and Tenant Act 1985 (as inserted by S.155(1) Commonhold and Leasehold Reform Act 2002)

<sup>34</sup> See: The Transfer of Undertakings (Protection of Employment) Regulations 2006

<sup>35</sup> See: Equality Act 2010

<sup>36</sup> See: S.4 Employers' Liability (Compulsory Insurance) Act 1969

See: Employers' Liability (Compulsory Insurance) regulations 1998 (SI 1998/2573)

See: Employers' Liability (Compulsory Insurance Amendment) regulations 2008 (SI 2008/1765)

- f) ensure that all employees are trained and competent before undertaking duties and have access on site to a copy of the employer’s health and safety policy, [fire and building safety policy](#);
- g) ensure a [health and](#) safe working environment for all staff at all times as far as reasonably practicable.<sup>37</sup>

added: [fire and building safety policy](#)

added: [health and](#)

## 5.4 Insurance

### 5.4.1 Reinstatement Cost Assessments

Where insurance forms part of the Managing Agent’s duties, assessments Should be undertaken as often as is required by the Client, the insurer or having due regard to RICS recommendations.

Reinstatement Cost Assessments Must be carried out by a competent person or company with appropriate skill and experience in the type of property being assessed.

### 5.4.2 Insurance Claims

Where the Managing Agent is not authorised to undertake claims-handling, the claimant Must be referred to the broker or insurer.

Where the Managing Agent is authorised to deal with claims they Must:

- a) have a procedure for processing the claim without unnecessary delay being aware that Leaseholders have the right to notify insurers of possible claims;
- b) not judge the merits of a claim but provide any additional relevant information;
- c) consider if it is necessary for both the Landlord and Leaseholder to sign the claim form;
- d) keep the claimant informed of the progress of a claim or provide him with sufficient details to enable the claimant to pursue the matter if dissatisfied;
- e) be authorised by the Management Agreement or separate mandate to receive insurance claim payments;
- f) not deduct (unless otherwise agreed) arrears or other payments due when passing claim monies on to the claimant;
- g) credit monies received as a result of an insurance claim to the Client Bank Account when insured reinstatement/damage is charged to this account.

### 5.4.3 Statutory Information

When dealing with insurance, if requested In Writing by a Leaseholder the Managing Agent Must provide within 21 days:

- a) a summary In Writing of the current insurance cover setting out the name of the insurer, the risks covered in the policy and the sum for which the property is insured or alternatively a copy of every relevant policy;<sup>38</sup>

## 5.5 Consultation

The Managing Agent:

- a) Must comply with the statutory consultations requirements:
  - i) Qualifying works: These are ‘works on a building or any other premises’ – that is, works or repair, maintenance or improvement. Consultation is required where the relevant contribution (including VAT) of any one Leaseholder exceeds £250;
  - ii) Qualifying long-term agreements: Is an agreement entered [into or on behalf of](#) the Landlord [or a Superior Landlord](#) with a wholly independent organisation or contractor for a period of more than 12 months. (Agreements before 31st October 2003 are exempt). Consultation is required where the cost to any one Leaseholder incurred under the agreement will be more than £100 (including VAT) per [financial period](#);<sup>39</sup>
- b) Should consult with Leaseholders on management matters that are likely to have a significant effect on the level, quality or cost of the Services.

replaced into by with [into or on behalf of](#)  
added: [or a Superior Landlord](#)

replaced annum in any relevant accounting with [financial](#)

<sup>37</sup> See: Health and Safety at Work etc Act 1974

See: Management of Health and Safety at Work Regulations 1999 (SI 1999/3242)

<sup>38</sup> See: S.30A Landlord and Tenant Act 1985 (as inserted by S.43(1) Landlord and Tenant Act 1987 and modified by paragraph 5 of schedule 7 Commonhold and Leasehold Reform Act 2002)

See: Schedule 1 Landlord and Tenant Act 1985 (substituted by schedule 10 Commonhold and Leasehold Reform Act 2002)

<sup>39</sup> See: Ss.20 and 20ZA Landlord and Tenant Act 1985 (as amended by S.151 Commonhold and Leasehold Reform Act 2002)

See: Service Charges (Consultation Requirements) (England) Regulations (SI 2003/1987)

## 5.6 Pre-sales Enquiries

When dealing with pre-sales enquiries the Managing Agent:

- a) Must inform the Leaseholder, or their representative, of all fees in relation to the supply of information at the outset;
- b) Should supply the Leaseholder, or their representative, with information about the premises that they manage to satisfy the pre-sales enquiries and any other reasonable enquiries that may arise;
- c) Should only provide confidential information to the Leaseholder, Leaseholder's solicitor or other person authorised In Writing to receive it by the Leaseholder;
- d) Must not knowingly give inaccurate or misleading answers;
- e) Should ensure responses are given by someone of appropriate experience and training, limited to questions of fact as distinct from opinions;
- f) Should provide information or copies of documents within a reasonable timescale after receipt of payment of the agreed fee.

## 5.7 Mixed Developments (freehold house/commercial/mixed use)

Managing Agents Should follow the guidance contained in the publication Managing Mixed Use Developments issued by RICS.

## 6.0 Legal Matters

### 6.1 Statutory Information & Inspection Rights

The Managing Agent Must comply with any statutory request by a Leaseholder for the disclosure of the identity of the Landlord and the directors of a corporate Landlord.<sup>40</sup>

Where the Managing Agent, has on behalf of their Client, the statutory duty, they Must provide Leaseholders with an address for service of notices.<sup>41</sup>

### 6.2 Statutory Compliance

The Managing Agent Must have regard to and comply with:

- a) legislation relating to equality and discrimination;
- b) legislation relating to employment;
- c) legislation relating to data protection;
- d) legislation relating to tax and VAT;
- e) legislation relating to bribery;
- f) relevant legislation to ensure the health and safety of employees;
- g) obligations under the regulations regarding fire safety;
- h) health and safety [and building safety](#) regulations relating to buildings under their management
- i) all other relevant legislation.

added: [and building safety](#)

## 7.0 Disputes & Terminations

### 7.1 Disputes & Terminations

When dealing with disputes the Managing Agent Must follow the guidance contained in the publication 'Guidance Note – F01 Complaints Handling' (replicated to be publicly available: 'Advice Note Making a complaint about the management of your block') issued by the Association of Residential Managing Agents and Must:

- a) maintain and fully implement a published complaints handling procedure appropriate to the size and structure of their organisation meeting the minimum requirements of TPI and/or any other professional organisation to which they are members;
- b) be a member of a redress scheme for dealing with complaints in connection with their work which is either a redress scheme approved by the Secretary of State or a government administered redress scheme;<sup>42</sup>
- c) offer Clients and Leaseholders access to the redress scheme if the complaint has not been resolved 'in-house' within an eight week period or is deadlocked and abide by their decisions;

<sup>40</sup> See: Ss.1 and 2 Landlord and Tenant Act 1985

<sup>41</sup> See: S.48 Landlord and Tenant Act 1987 (as amended by the Commonhold and Leasehold Reform Act 2002)

<sup>42</sup> See: S.84 Enterprise and Regulatory Reform Act 2013

- d) make all staff aware of its complaints handling procedure;
- e) publicise the existence of the complaints handling procedure, [including on any website](#), and ensure this is well known to all Clients and Leaseholders, including response times for the various stages included. The full contact details of the Ombudsman must be provided (including address, telephone number, email and website);
- f) when requested, provide a copy of their procedure to any Leaseholder or Client;
- g) ensure that for complaints about their staff, the procedure provides for them to be made to an appropriately senior person;
- h) [Should maintain a complaint handling log.](#)

Managing Agents Should also have clear written policies and procedures for handling disputes between occupiers, complaints of nuisance from neighbours or contractors.

## 7.2 Terminations & Handovers

Managing Agents Must follow the guidance contained in the publication 'Guidance Note – F07 Management Handovers' (replicated to be publicly available: 'Advice Note Changing Managing Agent) issued by [The Property Institute](#) and:

- a) Must deal with any handover in a professional, competent and efficient manner which Should be within agreed timescales in accordance with the provisions for termination in the Management Agreement;
- b) Must confirm any termination In Writing with the Client clearly stating the date at which management ceases and when all relevant documentation and Client Money will be handed over to the Client and confirm who will deal with on-going litigation, disputes, arrears collection and any fees to be charged;
- c) [Must provide](#) all relevant information to [the Client to](#) facilitate the handover not less than four weeks prior to the date of handover [or the termination date if later](#), or as otherwise directed In Writing. This [Must include](#) as a minimum [stage 1 documents](#);
- d) Must pass all stage 2 documents relating to the management to the Client on the date of handover or as otherwise directed In Writing;
- e) Must [pass all stage 3 documents relating to the management to the Client within three months of the agreed date of handover or as otherwise directed In Writing.](#)

## 8.0 Wellbeing

[Note – the introduction to the revised version to include an amended status paragraph explaining that TPI company members must meet the requirements of all the standards except for Section 8 (Wellbeing). Section 8 will be voluntary apart from those elements prefaced by 'must' and referencing existing legislative requirements. Eg. 8.1 b), c) & e)]

### 8.1 Health & Wellness at Work

[When dealing with supporting the mental and physical health of employees at work, Managing Agents;](#)

- a) [Should have an Unreasonable Behaviour Policy;](#)
- b) [Must have a Workstation Assessment Procedure;<sup>43</sup>](#)
- c) [Must have an Accident Reporting Policy;<sup>44</sup>](#)
- d) [Should have appropriate policies for wellbeing at work;](#)
- e) [Must comply with the legal framework for flexible working requests and Should have in place a Flexible Working Policy; and<sup>45</sup>](#)
- f) [Should have suitable and accessible mental health signposting available.](#)

### 8.2 Employee Voice

[The Managing agent Should listen to employees through constructive communication and have an employee feedback policy.](#)

*added: [including on any website](#)*

*replaced. with; [h\) Should maintain a complaint handling log.](#)*

*replaced the Association of Residential Managing Agents with [The Property Institute](#)*

*replaced Should supply with [Must provide](#)*

*added: [the Client to](#)*

*added: [or the termination date if later](#)*

*replaced Should with [Must](#)*

*added: [stage 1 documents](#);*

*replaced: prepare reconciled accounts (no later than three months unless otherwise agreed) with itemised accruals and prepayments upto the final date of management, including schedules of arrears, creditors and debtors. f) Must hand over the balance of funds that are not required to meet commitments already made at the date of handover. The remaining balance Must be handed over at an agreed later date (no later than three months unless otherwise agreed) along with the statement of accounts made up to the date of handover. with [pass all stage 3 documents relating to the management to the Client within three months of the agreed date of handover or as otherwise directed In Writing.](#)*

*added: [8.0 Wellbeing](#)*

*added: [8.1 Health & Wellness at Work When dealing with supporting the mental and physical health of employees at work, Managing Agents: a\) Should have an Unreasonable Behaviour Policy; b\) Must have a Workstation Assessment Procedure;<sup>43</sup> c\) Must have an Accident Reporting Policy;<sup>44</sup> d\) Should have appropriate policies for wellbeing at work; e\) Must comply with the legal framework for flexible working requests and Should have in place a Flexible Working Policy; and<sup>45</sup> f\) Should have suitable and accessible mental health signposting available.](#)*

*[8.2 Employee Voice The Managing agent Should listen to employees through constructive communication and have an employee feedback policy.](#)*

<sup>43</sup> See: The Health and Safety (Display Screen Equipment) Regulations 1992 Act

<sup>44</sup> See: Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013  
See: The Social Security (Claims and Payments) Regulations 1987

<sup>45</sup> See: Employment Rights (Flexible Working) Act 2023

### 8.3 Leadership

When managing employees, the Managing Agent Should provide a fair, ethical and flexible approach to the leadership and management of employees and;

- a) Should have in place a clear team structure and line management and provide all employees with and organisational chart;
- b) Should have in place an appraisal / review procedure; and
- c) Should have job descriptions available for all roles.

### 8.4 Personal Growth

Managing Agents should help employees to achieve their potential and purpose through learning, training and development and;

- a) Should have a training policy appropriate to the size and structure of the organisation; and
- b) Should have an employee induction procedure.

### 8.5 Supportive Culture

The Managing Agent Should create a supportive, caring, inclusive and empathetic culture and;

- a) Should have a Corporate Social Responsibility policy;
- b) Must comply with the Equality Act and Should have an equality, diversity and inclusion policy;<sup>46</sup>
- c) Should have appropriate human resources policies and documents; and
- d) Should provide a suitable policy to support and give appropriate signposting for people going through personal challenges and promote work/life balance.

*added: 8.3 Leadership*

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<sup>46</sup> See: Equality Act 2010

## Annex C – Guidance Note F07 ‘Management Handovers’ proposed new table

Stage 1 Not less than four weeks prior to agreed date of handover or the termination date if later	Stage 2 On the agreed date of handover	Stage 3 Within 3 months of agreed date of handover
Provide details of the owner and their contact details for all units contributing towards the service charge	Provide all insurance information together with claims history	Must prepare reconciled accounts (no later than three months unless otherwise agreed) up to the final date of management, including schedules of arrears, creditors and other debtors
Provide copies of all contracts in place, and any asset register, together with contractor details and insurance information	Provide the budget currently in place and confirmation of the date service charges have been raised	Handover the remaining balance of funds with the statement of accounts up until the date of handover
Provide all transferor employment information pursuant to TUPE	Provide up to date maintenance schedules, including S.20 works, works in progress	Provide copies of invoices from the current service charge year
Provide all meter information (including meter number and location) and utility supplier information	If heat networks are in place, provide details of any 3rd party billing agent, heat networks agreements and tariffs	Provide an updated list of all leaseholder arrears including current position of debt recovery proceedings
Provide all ‘Golden Thread’ information required for over 18m buildings registered under Building Safety Act or confirmation that this does not apply	Provide a draft of all leaseholder arrears	Provide any updates to the information and documentation provided in stage 1 and 2
Set out ongoing communication details	Provide copies of the previous three years’ service charge year end accounts	
	Provide details of the current position of all known and ongoing leaseholder and client matters (including complaints, tribunal and court proceedings)	
	Remit the balance of funds that are not required to meet commitments already made	
	Provide any updates to the information and documentation provided in stage 1	



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