



A brief guide to the Right to Manage

The right to manage was introduced by the Commonhold and Leasehold Reform Act 2002 (CLRA 2002). CLRA gave leaseholders the right to assume responsibility for the management of their property through a RTM company and while the right may be exercised to take control of a block which is poorly managed, there is no need to prove mismanagement by the landlord or the current managing agent to seek to exercise the right.

Who can exercise the right?

It is important to realise that it is the RTM company that exercises the right to manage and not the individual qualifying tenants/leaseholders themselves.

Leaseholders can set up an RTM company, which can then acquire the landlord's management functions but in order to do that leaseholders must first be qualifying tenants of a building or part of a building with at least two flats. At least two-thirds of the flats in the building must be owned by leaseholders i.e. tenants with leases granted for a period of more than 21 years and at least half of the flats in the building, held by leaseholders, must participate in the process.

There are some exceptions in that the building does not qualify if, in the case of a mixed-use building, the non-residential areas (for instance the commercial units) make up more than 25% of the whole floor area of the building and also if there are four or fewer flats and there is a resident landlord.

We wish to exercise our right to manage, how can we achieve this?

First you will need to ensure that you qualify to exercise the right to manage (see above) and if so then the next step would be to set up a RTM company.

The RTM Company must in the first instance serve a notice inviting participation on all qualifying tenants who are not members, or who have not agreed to become members of the RTM Company. S.78(2) of CLRA 2002 sets out what details need to be included in, what is referred to the CLRA 2002 as, the "notice of invitation to participate".

The RTM Company must then serve, what is referred to in the CLRA 2002 as, a "claim notice" on the freeholder. This claim notice cannot be served on the freeholder earlier than 14 days after service of the notice of invitation to participate served on the qualifying tenants. S.80 of CLRA 2002 sets out what details need to be included in the claim notice.

If the freeholder wishes to challenge the right to manage, he must serve a counter-notice by the date specified in the claim notice. The date specified in the claim notice cannot be earlier than one month after service of the claim notice.



If the freeholder serves a counter-notice, the RTM company can apply to the First-tier Tribunal (FTT) for a determination that they have the Right to Manage. However, if the freeholder does not serve a counter-notice and challenge the RTM Company's right to manage then the RTM company acquires the Right to Manage four months from the date of the claim notice, this is known as the "acquisition date".

The freeholder is entitled to apply to be a member of the RTM company after the acquisition date.

The freeholder must notify both the RTM company of existing contractors and also existing contractors that the RTM company has acquired to Right to Manage. It is important to note that the RTM company is not obliged to continue with any of the freeholder's existing contractors.

Where the freeholder has collected service charges in advance but not yet spent them all and is hold remainder in a trust account, he is under an obligation to hand over all the unspent sums including any reserve account or sinking fund. The RTM Company takes over the management functions of the freeholder such as provision of services, repairs, maintenance, improvements and management. Where a lease contains provisions relating to consent of the freeholder such as sub-letting, assigning the lease and making alterations to the flat, such ability to grant approval passes to the RTM Company with the caveat that the freeholder must be informed, and notice must be given to them.

While the RTM company has the power to enforce obligations under the lease it is not able to use the forfeiture procedure.

Do we now own the freehold of the building?

If the leaseholders in a freeholder's property do decide to exercise their Right to Manage, it is important to note that ownership of the building will not be affected. The entitlement merely applies to its management.

If you have any queries concerning the Right to Manage please contact our team on 0118 959 7711 who will use their in-depth knowledge to provide you with sound, pragmatic advice.

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