

TEN TIPS for Service Charges

1

Understand the obligations of the Landlord as defined by the terms of the lease contract.

2

Always ask for a budget and if there's anything you are not familiar with or require further clarification do ask your Landlord or Managing Agent.

3

At reasonable times throughout the year ask for confirmation that expenditure is on budget. If not on budget ask for clarity as to why.

4

Very often a Tenant's electricity usage (small power for computers, lights etc) is invoiced separately (monthly or quarterly) and is calculated using meter readings. Some Managing Agents are better at organising this than others. Remind yourself these are being received and that they do not feature as part of the service charge invoices.

5

Familiarise yourself with the method of calculating the service charge you as a Tenant pay. Make sure you understand the methodology. If in doubt obtain a copy of the RICS Service Charge Code of Practice (www.servicechargecode.co.uk).

6

Ask yourself has anything happened to the management/ownership of the property throughout the service charge period (usually 12mths) which may have an impact on the service charge expenditure. For example has the property been sold, have the managing agents changed or neighbouring tenants moved in or out, that may affect the overall use of the property.

7

When you receive your reconciliation, have all your service charge payments been included and allocated properly? This has a particular impact where the tenant has multiple leases and payments.

8

Good practice is to have the service charge reconciled within 3 months of the year end. While there is no penalty if this is not done, the longer it takes the harder it is to ensure the accuracy of the figures.

9

Off setting is the action of withholding payment based on the belief your landlord owes you money. The majority of leases prohibit this action and as such all payments should be made against presented invoices.

10

In the event of a disagreement seek an early resolution and put all your concerns in writing keeping copies for future reference.