

i news:

New-build homeowners pay £1bn a year in estate charges as MPs slam use of non-disclosure agreements (NDAs). Homeowners told to sign NDAs before they can see details of their soaring fees.

Around three million new build homes have been purchased in the last two decades, the majority requiring owners to pay estate charges

April 9, 2024 by Alexa Phillips

New build homeowners are paying more than £1bn a year in estate charges as local authorities increasingly refuse to manage public spaces, i can reveal.

MPs and campaigners said many buyers are unaware of the fees, which often lack transparency and are uncapped.

A recent i investigation found that homeowners have been told they have to sign non-disclosure agreements (NDAs) to see details of their charges, which pay for public spaces and amenities such as roads, sewers and playgrounds on housing estates.

The cost of these fees has reached about £1.05bn, according to i's analysis of data from the Home Owners Rights Network and the Competition and Markets Authority (CMA).

Around 3 million freehold homes built in the last two decades have come with estate charges, the Home Owners Rights Network said.

Their bills, which are "often high and unclear", were an average of £350 a year in 2021 to 2022, according to the CMA.

Cathy Priestley, co-founder of the Home Owners Rights Network, echoed the regulator's recommendation that public amenities on new build estates should be managed by councils.

In previous decades this was standard practice and local authorities were given a fee from developers to manage them. Local authorities have said that developers can be unwilling to pay this sum, according to a 2020 Welsh Government report.

Ms Priestley said developers typically pass on these costs to buyers by requiring them to pay a management company for ongoing maintenance.

She told i: "Most people feel angry that they've been trapped into it. They weren't told the true nature of the liability at the point of purchase.

"If people had were told they were going to have to pay to manage an estate that's public, to basically do the work the council used to do, and the cost is open-ended because it costs what it costs, they might be quite reluctant to buy.

"Most people have come into it not finding out until sometime after the point of purchase – often it takes few years to discover exactly what kind of trap you're in and that you've got no rights of redress, there's no accountability, and there's no limit to the costs."

Ms Priestley said some homeowners have reported bills as high as £1,000 a year, particularly when they have been charged for the costs of particularly expensive infrastructure such as pumping stations, or old infrastructure that is expensive to maintain.

The CMA said homeowners can be subject to additional repair bills that can cost thousands of pounds.

It also raised concerns that many homeowners are unable to switch management companies, receive inadequate information, have to deal with poor maintenance, and can end up paying admin fees that make up 50 per cent of their bills.

Former housing minister Rachel Maclean is among dozens of Tory MPs who recently urged the Government to ban such new build estates where common spaces haven't been adopted by local councils, also known as "fleecehold" estates.

She told i: "That's not something that's simple to do – I don't think we're going to see that in this Parliament – but I think it is something that we should definitely continue to look at."

Ms Maclean said councils should ideally be forced to adopt public amenities, but said "what that means if you've got provide a lot more funding straightaway for councils" which is "not something that's easy to do".

She described the practice of homeowners being told they must sign NDAs to see details such as invoices behind their estate fees as "ridiculous".

Clive Betts, a Labour MP and chair of the Housing Select Committee, said local authorities do not have the funds to be able to manage these estates but said the system needs to change.

He told i: "There ought to be a bigger effort and requirements to make the charges transparent. The owners of the houses can collectively take over the management of these sites if they want, but it's just a very complicated process.

"Making it a lot easier for a local residents' group to take over the management or to be able to appoint the management company would be a significant and beneficial reform because then they could hold that company to account and sack them if they don't do the job properly."

He added: "Those companies are charging this money to people who bought their homes.

"They have an obligation to provide all the relevant information to show what the service charges are comprised of and what the money collected from residents is being spent on."

The Department for Levelling Up, Housing and Communities did not respond to a request for comment. It previously said: "We expect developers to be transparent with homeowners and the use of NDAs in these instances is completely inappropriate.

"Our Leasehold and Freehold Reform Bill will make estate management companies more accountable, drive up transparency and give homeowners more rights to challenge unreasonable charges."