

Information on the position of freehold home owners who pay a service charge for the upkeep of communal areas on their estates.

The legal basis of a freehold service charge

Freehold service charges can cover the provision of a variety of services on private and mixed-tenure estates, such as the upkeep of:

- play areas
- communal gardens
- private (unadopted) roads

The requirement to make a financial contribution is usually defined in the deed of transfer when the property is first sold by the developer. Alternatively, liability might arise as a result of an estate rent charge that forms part of the purchase contract.

The developer usually enters a contract with a management company to organise the necessary work on the estate and recover the cost from homeowners. Sometimes the developer will set up a Residents' Management Company (RMC) to take over ownership of the communal areas – where this happens the RMC can appoint a management company to work on its behalf.

Freeholders' rights

Freehold owners on these estates have very limited rights over the cost and quality of services provided. Unlike long leaseholders, freeholders do not have a statutory right to:

- challenge unreasonable service charges and the standard of work carried out through an application to a First-tier Tribunal (or Leasehold Valuation Tribunal in Wales).
- apply to the Tribunal to appoint a new manager.
- take over management of the estate via a Right to Manage (RTM) company.

Therefore, freeholders do not have the equivalent rights to hold management companies to account, even though they may be paying for the same or similar services as leaseholders.

Where the developer employs a management company, a freeholder can lodge a complaint with the relevant redress scheme. All property management companies in England are required to be members of a government-approved redress scheme. The Ministry of Housing, Communities and Local Government published guidance on this requirement: Lettings agents and property managers: which Government approved redress scheme do you belong to? (PDF)

Proposals to strengthen freeholders' rights

On 21 December 2017, the Government announced an intention to legislate in this area.

Following a consultation in 2018 on implementing reforms to the leasehold system in England, the Government committed to:

Equal rights for freeholders: we will legislate to give freeholders on private and mixed tenure estates equivalent rights to leaseholders to challenge the reasonableness of estate rent charges (replicating

relevant provisions in the Landlord and Tenant Act 1985) as well as a right to apply to the First-tier Tribunal to appoint a new manager to manage the provision of services covered by estate rent charges (replicating relevant provisions of the Landlord and Tenant Act 1987).

Right to Manage for freeholders: we will consider introducing a Right to Manage for residential freeholders after the Law Commission has reported to the Government (on their review of Right to Manage for leaseholders) as part of creating greater parity between leaseholders and residential freeholders.

The Law Commission's final report, Leasehold home ownership: exercising the Right to Manage, was published on 21 July 2020.

The Government has also confirmed an intention to regulate letting and property management agents. A working group was set up to help develop the new regulatory model. The group reported in July 2019 and recommended the creation of a statutory regulator with enforcement powers to cover a variety of matters, including the transparency of freeholder charges (see: Regulation of Property Agents Working Group: Final Report for more details).

Timetable for reform

The Leasehold and Freehold Reform Bill 2023-24 was introduced to the House of Commons on 27 November 2023. The Bill applies to England and Wales. It includes provisions to give freeholders on private and mixed-tenure estates the right to challenge the reasonableness of charges and the standard of services provided.

The Bill, as introduced, does not include provisions to give freeholders the right to appoint a manager or to take over management of the estate through a RTM company.

Wales, Scotland and Northern Ireland

Freehold estate charges were debated in the Senedd Cymru/Welsh Parliament (then National Assembly for Wales) following a Member's Legislative Proposal on 14 March 2018. The proposal suggested bringing in similar reforms to those consulted on in England. The motion was agreed; the responding Minister said the Welsh Government would create a "task and finish group" to look at the matter. The group published its report, Residential Leasehold Reform: A Task and Finish Group Report, in July 2019.

The then Minister for Housing and Local Government, Julie James, launched a call for evidence on estate charges on 6 February 2020.

A summary of responses to the Call for Evidence (November 2020) concluded that the practice of estate charges was not working effectively for everyone and the Government would consider options for change.

In May 2022, the Minister for Climate Change confirmed the Welsh Government was committed to introducing legislation to give freeholders equivalent rights to leaseholders.

In a written statement on 28 November 2023, Julie James, Minister for Climate Change, said she was "pleased to see that the UK Government has acted on my request that they fulfil their commitments to address the situation of freeholders on these estates." She confirmed she would lay a Legislative Consent Memorandum in respect of the Bill.

Estate charges are also an issue in Scotland. Scottish factoring provisions can provide a remedy (the removal of the management company) in certain circumstances. For more information, see [Property factors – mygov.scot](#).

This specific issue does not appear to have arisen in Northern Ireland.

Further information

Department for Levelling Up, Housing and Communities: [Guidance: Freehold estates](#)

Library briefing: [Freehold houses: estate charges](#)