

The Independent - Homeowners can face high and unclear estate management charges, says watchdog

The Competition and Markets Authority raised concerns about charges for the management of facilities such as roads, drainage, and green spaces.

Vicky Shaw, 26 February 2024

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Homeowners are often facing high and unclear charges for the management of facilities such as roads, drainage, and green spaces, the competition watchdog has said.

The Competition and Markets Authority (CMA) raised concerns about estate management charges, which it said may come with inadequate protections for consumers.

Homebuyers may be poorly informed when it comes to important details about such arrangements and their long-term implications, the watchdog said.

It found a growing trend by developers to build estates with privately-managed public amenities – with 80% of new homes sold by the 11 biggest builders in 2021 to 2022 subject to estate management charges.

Bills can be big, with a high proportion relating to administration or management fees, and future bills may be unpredictable and potentially very high as amenities degrade over time, the CMA said.

Estate management companies may possess significant market power and face limited competitive constraints to deliver services at a reasonable price or to an acceptable level of quality, it added.

While the average charge was £350, one-off, unplanned charges for significant repair work can cost thousands of pounds and cause considerable stress to homeowners, the CMA said Competition and Markets Authority.

It highlighted concerns that many homeowners are unable to switch estate management providers, receive inadequate information upfront, have to deal with shoddy work or unsatisfactory maintenance, and face unclear administration or management charges which can often make up 50% or more of the total bill.

Analysis also suggests that a growing number of homeowners are reporting a higher number of snagging issues, the watchdog said.

The CMA's consumer research indicated that a substantial minority had also experienced particularly serious problems with their new homes, such as collapsing staircases and ceilings.

The watchdog said it wants to see a housebuilding market that delivers consistently better outcomes on new-build quality, with consumers having an effective route to redress, as well as reduced detriment to consumers arising from the private management of public amenities on new-build estates.

It is making recommendations to the UK, Scottish and Welsh Governments in areas where there could be opportunities to improve market outcomes without significant trade-offs with other policy objectives.

The CMA said it is also inviting the Governments to consider options to support the adoption of public amenities on estates currently under private management arrangements.

A Department for Levelling Up, Housing and Communities spokesperson said: “It is vital to address the unfair situation facing homeowners on freehold estates. That is why through the Leasehold and Freehold Reform Bill they will have greater rights to challenge unreasonable estate rent charges and change the management of services if necessary.”