

Homeowners ripped off by managing agents charging sky-high fees

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A million homeowners in flats and retirement homes are being left at the mercy of managing agents who charge exorbitant service fees while providing poor maintenance.

These property owners are being exposed to a multi-million-pound rip-off by an unregulated industry.

They range from more vulnerable elderly residents in sheltered accommodation to wealthy businessmen in multi-million-pound riverside flats.



People power: Neil Healey successfully fought a two-year legal battle against - Solitaire Property Management, now owned by Peverel, and got £156,000 in unfair service charges refunded to residents

Complaints include:

- Overcharging.
- Fees that rise inexplicably every year.
- No explanation of what charges are for.
- Managing agents using their own companies to provide hugely expensive insurance and maintenance services.
- No regulation to protect people from shoddy practices.

Michelle Mitchell, of charity Age UK, says: ‘These companies have a free rein to ride roughshod over residents and hold them hostage to a range of unfair practices due to the sector’s lack of regulation.’

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Some of the worst examples are seen in sheltered accommodation, where vulnerable older people can pay huge charges for wardens and alarm systems.

Age UK has serious concerns about managing agents failing to obtain competitive quotes and instead using subsidiaries of their own company to provide insurance and maintenance work. This, in turn, leads to unnecessarily high service charges.

More than two million people are thought to own leasehold properties, with just over half being those who bought former council homes under the Right to Buy scheme.

It can be difficult for residents, whether in sheltered accommodation or normal flats, to know if the same company runs their managing agent and the firms they use to - provide services.

For example, the biggest player, Peverel Limited, owns dozens of managing agents, including OM Property Management, Solitaire Property Management and Pembertons Residential.

Peverel and its subsidiaries manage 200,000 leasehold properties across the country, from million-pound apartments in central London to modest retirement flats.

Peveler also owns Kingsborough Insurance Services, which arranges building and contents cover; Cirrus Communication Systems, which installs CCTV; and CarelineUK, which provides emergency alarms in retirement homes.

All of these are used to provide services in Peveler-managed properties — although Peveler says it carries out a ‘strict tendering process for all contracts’.

Residents have complained that insurance premiums, in particular, are kept artificially high because of large commission fees. For example, Kingsborough obtains buildings cover but only acts as a middleman between Peveler and Oval, the insurance broker.

In return, it adds commission fees of up to 33 per cent on insurance premiums and this cost is passed directly to residents.

A spokeswoman for Peveler says: ‘Kingsborough receives a commission from the insurer and Leasehold Valuation Tribunals have determined that this is reasonable.’

Residents at Stow Court in Cheltenham, a block of 44 flats managed by Solitaire (owned by Peveler), became so fed up with sky-high insurance that they got a quote from an independent broker to compare costs.

Solitaire had been charging them £7,057 per year — but similar cover could be obtained through local firm Lansdown Insurance Brokers for just £2,165 — saving a staggering £4,892.

A spokeswoman for Peveler says: ‘Oval compared the two premiums and found the alternative quotation provided substantially less cover. Oval was, however, able to reduce its premium to £4,062 — a 42 per cent reduction on the previous year.’

A group of angry residents have set up a website called The Truth About Solitaire (soon to be OM Property Management) & Peveler Group Companies (including Consensus Business Group Companies), which has a wealth of information for leaseholders wanting to take on their managing agent.

James Butler, of Landmark Leasehold Advisory Services, says: ‘Several pieces of legislation, including The Landlord and Tenant Act 1985, make it a legal requirement for managing agents to openly tender contracts.

‘Sadly, some agents routinely flout the law by using firms owned by or linked to them to provide services. Ultimately, it is the residents who end up paying the increased costs.’

Charities such as Age UK have lobbied the Government for years to enforce regulation of managing agents and are confounded by the lack of protection for residents in leasehold properties.

Leaseholders can club together and boot out their managing agent under a process known as Right to Manage. The agent’s consent is not needed and there is no need for residents to prove mismanagement.’

It can be a lengthy and complicated process. Go to www.lease-advice.org for more information.

Bob Suvan and his neighbours exercised their Right to Manage a block of flats in Regent's Park, central London. Mr Suvan was fed up with the way Peverel managed his three-bedroom flat and was being charged almost £5,000 per year in service charges.

So he set up a management company, BlocNet, and has reduced service charges in his building by 20 per cent. Find out more about leaseholds at www.thisismoney.co.uk/leasehold.

CASE STUDY

Neil Healey, 33, successfully fought a two-year legal battle against Solitaire Property Management, now owned by Peverel, and got £156,000 in unfair service charges refunded to residents.

Mr Healey (pictured) took the property giant to a Leasehold Valuation Tribunal (LVT), the dispute resolution service, on behalf of 165 apartments at City Heights development in Mapperley, Nottingham.

He was fed up of Peverel's poor management and service charges of £1,600 per year on his two-bedroom apartment, as well as extras.

Mr Healey says: 'From the minute I moved in, I had problems.'

And from January 1, 2011, the entire estate will be managed by Mr Healey's new company, Mapperley Property Management.

A spokeswoman for Peverel says: 'The LVT related to service charges levied by Solitaire Property Management between March 2004 and March 2009. Solitaire became part of the Peverel Group in mid-2008.'

Read more: <http://www.dailymail.co.uk/money/article-1324001/Homeowners-ripped-managing-agents-charging-sky-high-fees.html#ixzz13sbHKEjw>