

Leaseholder

Talk to deacon for...



Buildings insurance for blocks of flats

A standard property owners policy does not provide the cover a block of leasehold flats really needs. This is why Deacon has negotiated a comprehensive blocks of flats insurance policy.

Deacon policies include all the cover you need as standard, with no hidden extra charges! We place our business with a range of leading insurers so that we are able to cater for all types of building, whilst offering comprehensive cover at competitive premiums.



Contents insurance

There are sometimes misconceptions about what a buildings policy covers in a block of flats. Not all flat owners understand that their personal belongings are not insured under the blocks' policy. Deacon offers contents insurance specifically for flat owners – and if your buildings policy is placed through us everyone in the building will benefit from a 20% discount.



Emergency assist

Our Emergency Assistance scheme for flats provides a 24 hour helpline for everyone living in the building. Experts can advise immediate actions that can prevent the problem getting any worse! They will also arrange for emergency repairs to be carried out by approved contractors and then pay the first £250 of costs - which is usually more than enough to cover call-out, labour, parts and materials. For only £1.00 a week – it's worth it.



Engineering inspection and insurance

When an important piece of equipment, like a lift, boiler or window cleaning gantry breaks down, it can spell misery for flat owners. This policy ensures that the equipment is inspected so that potential problems can be identified and rectified. If equipment still breaks down, the costs of repairs are covered. All this for approximately 75p per flat per week!

For further information about any of the policies above, visit www.deacon.co.uk or call our residents team FREE on **08000 92 93 94**

Right tree, right place...

a guide to avoiding subsidence

Incorrectly positioned trees cost the UK's insurance industry approximately £200 million every year through subsidence claims and damage to buildings. Some 7.8 million people live in areas susceptible to subsidence; particularly London, the South East and the Midlands, due to this, thousands of healthy trees must be chopped down or cut back each year. With consideration and planning when planting new trees, the risks associated with subsidence could be reduced and these healthy trees need not be cut down.

In an attempt to control subsidence risks, Insurer Royal and Sun Alliance has produced a guide to safer planting of trees and shrubs, which includes tips for gardeners.

For a free copy of the "Right Tree, Right Place" leaflet please email steph.costello@uk.royalsun.com.



Discounted premiums for inner city blocks!

Is your property in an inner city area? Is your insurance due for renewal within the next 6 months? If so call us NOW.

We have negotiated excellent premiums for purpose-built blocks and converted properties in these areas, reflecting factors such as the relatively low possibility of subsidence and flooding. Most cities and highly populated towns are accepted.

Call the residents team for a quote now on **FREEphone 08000 92 93 94.**

There's wine to be won...

Don't forget our monthly prize draw for a case of wine!

We would like to congratulate Mr Rose and Mr Adams our recent winners, we hope you enjoy your prize.

To enter just ask us for a quote for any 2006 renewal date – by calling FREE on 08000 92 93 94.





Its holiday time...

Enjoy the relative peace of the next few months but please make sure that everyone living in your block of flats, or converted property, is advised to take sensible precautions before going away on holiday. Turning off water stop cocks, the tap on the washing machine and on the dishwasher water inlet pipes will prevent the most common cause of distress to the poor souls living downstairs. Switching off and unplugging appliances is a must – not only for safety but also to save money (see our article on Standby Britain).

It is our advice that if you go away on holiday you should leave a key with either a neighbour or a friend living locally, in case of an emergency. It is also vital that you let a committee member know that you have done this, and that the insurance policy is checked. Some blocks of flats policies stipulate that regular checks to vacant homes must be carried out.

Enjoy the summer!

Standby Britain!

Electrical appliances that are on standby pump one million tons of carbon into the atmosphere!

The wasted energy from appliances on standby could power 400,000 homes. Shockingly, the government states that Britain would save 240,000 tons of CO2 emissions if televisions were switched off. Appliances on standby increase energy bills by an average of £200 a year.

AND they are a fire risk!

The mains offenders:

- A dishwasher on standby consumes 70 per cent of its total functioning power.
- Last year, Britain's 62 million televisions consumed approximately 8 percent of their energy consumption whilst on standby mode.
- A washing machine on standby uses almost 20 percent of its working electricity requirement.
- Tumble-dryers can use 38 percent of total power whilst on standby.

- Turning off lights when not in use would prevent 375,000 tons of CO2 emissions and save £55 million in bills.
- There is little difference between the power requirement of digital receivers when they are operating or on standby.
- Other appliances with high standby power use are cordless telephones and radios.

Health and Safety

Please be aware that electrical fire kills or injures more than 2500 people every year (figures from Merseyside fire service). While no-one expects you to re-programme equipment or reset clocks everyday, the more electrical equipment you can switch off every night, the safer you will be.

- Don't leave televisions or DVDs on 'standby' at night, either switch them off at the wall socket or unplug them if there is no switch.
- Do avoid using washing machines, tumble dryers, bread makers overnight or whilst you are out. You may not realise that something has gone wrong, until its too late.
- Do fit an extra smoke alarm if you have a TV, DVD player or computer in the bedroom.



£0 excesses!

Deacon's Blocks of flats Insurance policies do not carry automatic excess charges (other than for subsidence). If you have a good claims record you will not be asked to pay the first few £100s of a claim. This is unusual, after all most people expect to pay an excess charge.

Of course, if a building has a record of frequent claims, our insurers may insist on applying excess. Please do not be discouraged from making a damage claim however, as you will not be penalised - we do not run a 'no claims bonus' system! However, if there is a whole series of water damage claims due to, for example, residents' overflowing baths or leaks through a poorly maintained roof, the insurer may take the view

that the particular block is representing an increased risk and insist on applying an excess to the policy.

Remember: water damage is still the most frequent cause of claims. Please do ask your neighbours to make sure that inlet and outlet pipes to kitchen appliances are secure, and that plumbing is sound.

The Board

Running a block of flats is technically no different to running a business!

Being a director or officer of a residential management company can be a time consuming job and there are rarely many thanks! Life would be made easier for directors if the board ran smoothly and each member knew what was expected of them.

We recommend that you consider directors' and officers' liability insurance, our inexpensive policy written especially to protect directors like yourselves. The peace of mind that this policy provides is what you deserve for expending your time and effort – after all you do face potentially unlimited liability!

For further information about Director's and Officer's Insurance simply call FREE on 08000 92 93 94 or visit www.deacon.co.uk.

If you are setting up a new residential management company, it is essential that you all agree how it will operate. No matter what size the board is, key issues are:

- who should chair the board?
- who should be company secretary? (perhaps the managing agent if one is appointed)
- what responsibilities should individual directors have, and how will they report to the board?
- how should decisions be made and what should be delegated to the chairman and any other directors?
- how often should the board meet and who should produce minutes for circulation?
- how should the board communicate with other lessees?
- how should the board communicate with a managing agent? (if one is appointed)



DIY or delegate?

The next step is to clarify what responsibilities the board should keep and what should be delegated to a managing agent.

Often the inexpensive DIY option is rarely the best answer for a block of any more than 20 flats. So, if you appoint a managing agent, how should you manage the relationship with them? We'll give you some hints and tips in the autumn issue of Leaseholder. If you need to look into this prior to autumn, contact the Association of Residential Managing Agents- Tel: 020 7978 2607 or visit www.arma.org.uk.

The legal maze

Our readers often ask us to provide details of legislation affecting residential management companies, so we have compiled a summary. If nothing else, this list confirms why legal advice is often needed!

1925 Law of Property Act

Restricts and regulates the use of forfeiture against long leases; the home of the "Section 146 Notice" for forfeiture for the breach of covenant.

1927 Landlord and Tenant Act

Where the landlord's consent is required to assignments or sub-letting, this Act ensures that consent can only be withheld reasonably

1938 Leasehold Property (Repairs) Act

Restricts a landlord's enforcement powers against long leaseholders in repairs cases – especially in the context of forfeiture.

1977 Protection from Eviction Act

Makes criminal offences of wrongfully evicting tenants (i.e. without a court order) and harassment.

1985 Landlord and Tenant Act

Empowers leaseholders on management issues. In particular it governs disclosure of information to leaseholders; implies terms as to fitness for habitation; implies repairing obligations; defines and limits service charges; sets out consultation procedures ("Section 20 consultation"); and provides for recognised tenants' associations

1987 Landlord and Tenant Act

Gives leaseholders the right of first refusal on a sale of the freehold; enables the appointment of managers when the landlord is at fault; provides a scheme for varying defective leases; requires that service charges be held in trust accounts; provides for more disclosure of information to leaseholders

1988 Landlord and Tenant Act

Further provisions regarding assignments and sub-letting when freeholder/ landlord's consent is required

1993 Leasehold Reform, Housing and Urban Development Act

Introduces and regulates collective enfranchisement of blocks of flats and the right to new leases ("lease extensions"); gives leaseholders' rights to a management audit; the approval of management codes of practice; the starting point for the LVT (Leasehold Valuation Tribunal)

1995 Landlord and Tenant (Covenants) Act

Reforms the doctrines of "privity of contract" and "privity of estate" to restrict the liabilities of leaseholders with no remaining interest in a property

1995 Disability Discrimination Act

Outlaws discrimination against disabled persons and imposes requirements for provision of auxiliary aids or services in let premises and for permitting alterations to leasehold premises

1996 Housing Act

Restricts forfeiture for service charges

2002 Commonhold and Leasehold Reform Act

Introduces Commonhold, a new form of ownership of land; introduces the Right to Manage without having to prove fault; wholesale changes (by amending existing legislation) to enfranchisement, new leases, variations, service charge accounting and consultation procedures, rent demands, forfeiture and many other facets of leasehold law; major increase in the jurisdiction of the LVT

2004 Housing Act

Licensing of Houses in Multiple Occupation (HMO's) – which applies to some blocks of flats; Home Information Packs

Don't forget legal problems can arise at any time, and can happen to any one of us!

For those of you who would like added protection and security, Deacon offers a suitable policy, 'Home owners Legal costs Insurance'. This insurance provides you with access to legal advice 24 hours a day and will meet your legal fees up to £100,000 and is made available when you buy our home or contents Insurance.

For further information about Home Owners Legal Costs Insurance please call us FREE on 08000 92 93 94.



Home Information Packs

What is a HIP?

For those of you at a certain age, a 'HIP' is not something groovy, nor is it a joint in your body that might need replacing! After 1st June 2007 we will all need to produce Home Information Packs before putting our homes up for sale. A HIP is a booklet that will include detailed particulars of your property, including information about fixtures and fittings, surveyor, legal and search information. Although HIP's may prevent you from spontaneously putting your home up for sale, it may well save you a lot of time after the purchase has been agreed.

HIPs will 'go live' on 1 June 2007, after a year of trials and refinements.

What will their arrival mean in practice?

HIP services will be widely offered by estate agents, mortgage lenders and banks. They, in

turn, will call on the services of organisations like Erinaceous property service group (Deacon's parent company). Companies like Erinaceous will use buying power to ensure that the surveyors and inspectors provide a fast turnaround.

Phil Milsom, the project manager at Erinaceous who has been negotiating with the potential HIP providers, says: "The good news is that under the arrangements we have been able to set up for agents and lenders, it is unlikely that sellers will have to pay for a report up-front. They will usually be able to settle the bill when their move is completed."

As a director of the management company, please remember that HIPs will call for specific information about service charges and management company finances to be made available.



How to extend your lease

An Article requested by one of our residential management companies.

by Brian Jones

Leaseholders can club together to acquire the freehold of their building (otherwise known as collective enfranchisement) and secure control over managing their own property. As a result, there is usually a significant increase in the value of each apartment or flat. But what if leaseholders can't agree on this approach?... There are various ways of taking a stake in management, but what can be done by a leaseholder simply to enhance the saleability and value of his or her flat?

The easiest answer is to extend the term, or duration, of the lease. Simply, the longer the lease has to run, the more it is worth. In fact, a "lease extension" is a misleading shorthand term. The correct procedure, and one to seriously consider, is to acquire a new lease.

A new lease can be obtained through negotiation but there is a statutory machinery, and this usually provides the template for negotiated deals anyway. So how does it work? This article gives a brief overview and I strongly recommended that leaseholders consult solicitors with demonstrable expertise in this field.

The essence of the right to a new lease is contained in the Leasehold Reform, Housing and Urban Development Act 1993. It was updated by the Commonhold and Leasehold Reform Act 2002.

A qualifying leaseholder is entitled to a new term of 90 years over and above what is left of the current term, with the ground rent reduced to a peppercorn. Service charges will still have to be paid, of course.

To qualify:

- The leaseholder must have owned a long lease for the flat for at least 2 years (there is no longer any need to have lived there);
- The leaseholder must not be a commercial or business tenant;
- The landlord must not be a charitable housing trust providing the flat under its charitable functions;
- The building must not be within the precincts of a cathedral or owned by the National Trust or the Crown.

The leaseholder has a right to information necessary to apply for a new lease by serving notice under Section 41 of the 1993 Act. For the application itself, the basic procedure is as follows, as long as the current lease has more than 5 years to run:

- The leaseholder serves notice asserting the right under Section 42 of the 1993 Act;
- The date of the notice is the date for valuation purposes;
- The landlord may request additional information within 21 days;
- The landlord must serve a counter-notice within 2 months of the date fixed by the leaseholder's notice. The counter-notice must either agree the application subject to price or dispute entitlement with reasons. Disputes must be resolved by the county court.
- Unless the parties agree all the terms, the leaseholder should ask the Leasehold Valuation Tribunal to determine the terms of the new lease, including the price to be paid.
- If the landlord fails to comply with orders or regulations, the county court has enforcement powers.
- No application can be progressed if there is a current application for collective enfranchisement affecting the building.

After all this the conveyancing is carried out and the new lease registered at H M Land Registry.

The valuation, under the 1993 Act, of the price to be paid is computed by adding up the following ingredients:

- The diminution in the value of the landlord's interest in the flat caused by the longer term (especially bearing in mind the loss of ground rent);
- The landlord's share of the "marriage value"; and
- Compensation for loss incurred through granting the new lease.

Marriage value is based on the assumption that the flat will be worth more with a longer lease and this "profit" is shared equally between the parties, however, the 2002 Act decreed that marriage value is disregarded if the original lease has over 80 years left.

It is impossible in an article like this to give any idea of average valuations, but it is important to remember that there will always be a price to pay for a new lease, which will also include the costs of the professional advisers – including the landlord's.

Of course, new leases can be obtained with much less scope for argument and at lower cost if the leaseholders have already combined to enfranchise.

Further information and guidance is available from the Leasehold Advisory Service. Visit www.lease-advice.org or telephone 020 7374 5380.

Brian Jones, April 2006.

Brian Jones is a well known lawyer in the field of residential property management and has specialised in leasehold law since 1988. Before setting up in practice on his own account in January 2003 Brian was head of the landlord and tenant litigation unit at Shoosmiths solicitors.

In 2003 he was elected as a Governor of Institute of Residential Property Management and he sits on their Syllabus and Examinations working group.

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