



## The Right to Manage: Key Features

## BRIEFING

### The Right

The Commonhold and Leasehold Reform Act 2002 created the right for flat owners acting in concert to take control of their landlord's management functions through a statutory form of company. This is known as the right to manage (RTM).

The right is not available to the long leaseholder of a house.

The management functions to be acquired depend on the terms of the flat owner's leases. They commonly include the insurance and maintenance of the building.

### Key Features

- Premium - as there is no premium payable, so the participants do not need to obtain a valuation at cost.
- Fault - there is no need to prove fault on the part of the landlord or its managing agents.
- Timing - the RTM will vest in as little as four months after service of the statutory claim notice.
- Participants - all qualifying flat owners in the building have to be invited to join in the claim (and become members of the RTM company where they take up the invitation).
- Criteria - broadly the same as those for the collective enfranchisement of the freehold.
- Vehicle for exercising the right - A statutory form of company must be used which is limited by guarantee. It has a prescribed form of constitution as regards voting rights for example.
- Contracts - the procedure automatically terminates certain contracts the landlord has in place.
- Service charge - any uncommitted funds have to be paid over.
- Decision making - the landlord is entitled to be a member of the RTM Company. The RTM Company has to consult with the landlord with regard to certain functions.
- Costs – the participants must reimburse the landlord for its reasonable costs and bear their own costs.
- Opposition – as there is no need to prove fault on the part of the landlord there are very limited grounds on which the landlord can object or which need to be argued or negotiated.
- Ability to extend leases - as no property interest is acquired from the freeholder the



participants will not be able to extend their leases via this right.

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