

**Bloc**Net

# Rip-Offs: What can a leaseholder do?



**C.A.R.L.** Campaign for the Abolition of Residential Leasehold

**AGM**  
**Saturday, 24 Sep 11**

**Bob Suvan**

# Statistics: Example #1

- **Assumptions:**

- Avg annual service charge / flat: £1,000
- Avg “over-charge”:  
20%
- Number of Leasehold properties: 1.5m

- **Total Annual “Excess” (Rip-Off):**

**£300,000,000**

**Enough money to employ 1 additional senior-level head-count in each managing agent**

# Statistics: Example #2

- **Assumptions:**

• Avg annual service charge / flat:	£1,000	}
• Avg "over-charge":	20%	
• Number of Leasehold properties:	1.0m	}
• Avg annual service charge / flat:	£8,000	
• Avg "over-charge":	20%	}
• Number of Leasehold properties:	0.5m	

- **Total Annual "Excess" (Rip-Off):**

**£1,000,000,000**

**Enough money to employ 3 additional senior-level head-count in each managing agent**

# Awareness

Sky High Fees

Put Paid to Unfair Treatment



Don't Be Conned



Collective Action Begins at Home for Leaseholders

To Buy or To Rent



Exit Fees



This Exploitation of Leasehold Homeowners Must Stop



Service Not Included

Leaseholders Hit Back at Agents

# Judgements (Sample Only)

- **London 2011 (1,200 flats)**
  - Undisclosed 7-figure settlement
  - BlocNet estimate: £3,500-4,000 for each flat
- **London 2008 (15 flats)**
  - £130,000 for 6 years of over-charges
  - Averaged £9,500 for each flat
- **Nottingham 2010 (150 flats)**
  - £ 850,000 for 5 years of over-charges
  - Averaged nearly £6,000 per flat
- **Many, many, many others....**

**The frequency and value is increasing**

# Losses: Tangible

- **Kick-Backs / Referral Fees**
  - Company “policy” forces contractors to pay kick-back for each job awarded
  - Arrears collection kick-back ~ £250 per ledger
- **Insurance**
  - as high as 42% of insurance premium is paid as “referral fee”
  - Larger firms have own insurance broker:  
Paid for shuffling papers from one side of desk to the other
- **Group company suppliers**
  - Non-competitive rates; poor service; inferior products/services
- **Charges; but no services**
- **Non market competitive pricing**
- **Incorrect VAT**
- **No structured arrears collection**
- **Managing agent refusal to approve services**

....to name the most common

# Losses: Intangible

- **Maintenance programs**
- **Sinking fund / reserve fund is empty**
- **Sinking fund usage**
- **No enforcement of lease terms**
- **Sinking fund invested “off-shore”**
- **Bank account structure**

**....to name a few**

# So, what can a leaseholder do?

- **Lots**

- Nothing
  - ....costs money and aggravation
- ★ Push your managing agent
  - ....tough for a leopard to change its spots?
- ★ Exercise your Right-To-Manage
  - ....you need 51% of co-owners to agree
- ★ Take case to LVT/RPTS
  - ....be well prepared
- ★ Push for regulation in this industry
  - ....but only regulation that has "teeth"
- ★ Push for abolition of leasehold
  - ....available in the short-medium term?
- ★ Purchase your freehold/lease
  - ....that costs money and time
- Sell your property
  - ....radical?

# Regulation?

- **There is nothing with real “bite” in this industry today**
  - Offenders can repeat offences with little/no penalty
  - Certainly no “barring” for companies/individuals
  - LVT/RPTS: is a “court” not a regulator
  - ARMA: co-resides with one of the largest “offenders” in this industry
  - RICS: “recommendation” only of their Code of Practice
- **Should there be regulation?**

**Yes, absolutely YES!  
And it must be independent!**

# A New Managing Agent?



# Attributes of a Good Managing Agent

- **Knows who the client is**
- **No kick-backs/referral fees**
- **Seeks owners direction/input**
- **Clear, simple fee structure**
- **Bigger is not better**
- **“New School”**
- **Transparent and communicative**

# Information on Demand

Windows Internet Explorer  
http://www.blocnet.co.uk/Demo-Property-SW1X-7PJ

File Edit View Favorites Tools Help

Demonstration Property... x

Home Feeds (3) Read Mail Print Page Safety Tools Help

**Financial Information**  
Inquiry and reporting capability on all financial aspects of your Property

**Confidential and Property Issues**  
Ability to add and/or enquire about communal and/or confidential issues

**Owners Intranet**  
Owners communication and information sharing space for your Property

**Property Related Information**  
Information repository specifically related to your Property (eg. insurance policy, inspection reports, etc)

**General Information**  
Information repository for information documents that are of potential interest to all Blocnet Clients. Therefore, it is not specific to your Property

**Online Shopping**  
Browse and securely purchase items from the Blocnet web store (eg. Electronic key fobs)

**My Profile**  
Maintain your correspondence address and preferred payment details

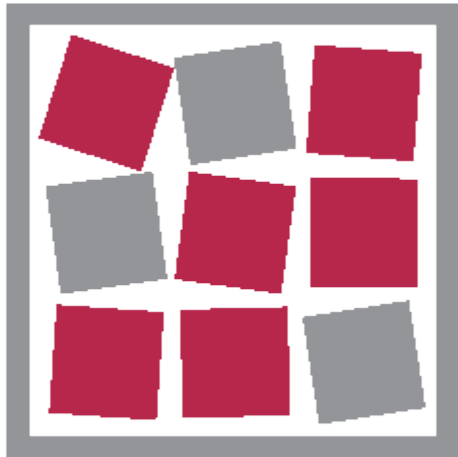
- real-time financial info about service charge expenditures
- real-time financial info about your client ledger
- real-time operational information with LTD audit trail for property
- LTD interactions on any financial or operational issues for lessee
- discussion and blogging area for all owners
- document store for your property
- leasehold "information warehouse"
- key fob, gate zapper purchasing for next day shipment
- Maintain your client details

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Start Demonstration Prope... EN 09:27

# Tired of being “ripped off”?





# BlocNet

*Transparent thinking*