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Tower Hamlet Resident Punished For a Crime Not Committed

Tower Hamlet resident, Dermot Egan, has spent the past three years paying for inflated maintenance and repair costs through service charges by his managing agents, which recently culminated in a court order issued by the block managers for a supposed 'late payment' they confirmed in a letter he could delay.

Mr Egan is one of 21 leaseholders at Regents Wharf, a 1970s development, where he has lived for the past three years. Throughout this time, he has been billed for items such as regular window cleaning and gardening maintenance that never occurred as well as shoddy cleaning and painting jobs that more often than not required correcting at the expense of the owner occupiers being dissatisfied with the end result. Residents were even billed for fire prevention to cover the cost of testing the fire extinguishers despite the fact that the fire extinguishers clearly had not been tested since October 2005.

In February of last year, Mr Egan was notified of external repairs which required a payment of £2000. Several weeks after receiving notice for the payment, another letter was issued by the managing agents, stating the balance could be paid at a later date due to the work being postponed. Only weeks after receiving the second letter, Mr Egan received a third letter from the agent's lawyers threatening litigation for the delayed payment.

Having tried to explain his payment was not sent because the managing agent sent a letter stating that payment could be delayed, Mr Egan assumed the matter was a misunderstanding and the issue would be dropped.

Instead a court order was issued and Mr Egan found himself in a position where his good credit record would be tarnished if he pursued the matter. In the end, Mr Egan paid the repairs fee as well as £600 in the managing agents' legal fees.

Mr Egan comments, "It has felt a bit like entrapment. I was told I could do one thing by delaying payment then bullied for doing what I was told I could do. On top of that, I paid for the 'privilege' of being bullied at the handsome price of £600. I can not believe people can get away with this. Whenever I, or other leaseholders, have questioned the allocation of funds, we have been met with ambiguity. One of my neighbours refused to pay the service

charges because the agents would not disclose how our funds were spent and this resulted in litigation as well. It feels like we are being sentenced for a crime we did not commit.”

Roger Southam, Chairman of property management company Chainbow, became aware of Mr Egan’s situation after he took over the management of a neighbouring development. Like the neighbouring development, Mr Southam has advised the Regents Wharf residence group to establish a Right to Manage Company.

Mr Southam explained, “In a situation where the relationship between leaseholders and managing agents has completely disintegrated, there are two options homeowners can take. The first is to apply to the Leasehold Valuation Tribunal (LVT) for an Appointed Manager. This is where leaseholder must prove to the LVT that their current managing agents are ineffective and a working relationship has diminished. The second, which is more common, is to apply for a Right to Manage Company. This is where leaseholders come together to establish their own entity with Companies House which grants them the authority to appoint their own managing agent rather than the freeholder appointing an agent.”

Mr Southam continued, “Why should people pay for items not received? I would not walk into a grocer, hand over £20 and walk out empty handed so why should leaseholders pay for nothing. In the tough economic climate, every penny should be even more closely scrutinised and if leaseholders feel they are not getting value then they should change. This would start to make the residential property management industry sit up and pay attention to the people they are meant to be looking after.”

Statistics from Companies House show the number of Right to Manage companies has dramatically increased from seven in 2002 to more than 334 companies in 2007. For the first half of 2008, 213 Right to Manage companies had been registered and the trend is anticipated to increase.

Since 2006, Chainbow has advocated for tighter regulations of the property management industry and have called on the Association of Residential Managing Agents (ARMA) to licence operators to ensure they are educated about legislation and leaseholder rights and penalised when they do not comply.

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Notes to Editor

Chainbow was founded by Roger Southam in 1989 and specialises in residential property management on behalf of owners, freeholders and developers. Chainbow aims to provide real value for money for its customers as well as changing their perceptions of property management. Chainbow does this through the provision of a clear charter aimed at setting out its values and promises to leaseholders, as well as an annual customer satisfaction survey intended to benchmark progress and identify areas for improvement.

Chainbow currently manages over 40 sites with 3,800 leaseholders across Greater London and intends to become the provider of choice property management and consultancy services in London. For further information on Chainbow contact Tel: 020 7928 9944, email: ask@chainbow.com or visit www.chainbow.com