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Residential Property TRIBUNAL SERVICE

Case reference: LON/00AP/LRM/2009/0006

DECISION OF THE LONDON LEASEHOLD VALUATION TRIBUNAL ON AN APPLICATION UNDER SECTION 84(3) OF THE COMMONHOLD AND LEASEHOLD REFORM ACT 2002 (RIGHT TO MANAGE)

Property: 12 and 14 Mountview Road, London N4 4SL

Applicant: Mountview Road RTM Company Limited

Respondent: IZA Limited

Determination on the basis of written representations in accordance with regulation 13 of the Leasehold Valuation Tribunals (Procedure) (England) Regulations 2003

Tribunal:

Margaret Wilson

Date of decision: 11 September 2009

Summary of the decision

1. An application to the tribunal under section 84(3) of the Commonhold and Leasehold Reform Act 2002 was validly made although the memorandum and articles of association of the RTM company were not included with it.

2. Each of two self-contained semi-detached converted houses were "premises" within the meaning of section 72 of the Act and the detached house of which they formed part were also "premises" within the meaning of that section. Two claim notices to acquire the right to manage were valid notwithstanding that they were each made in relation to one of the semi-detached houses but the object of the RTM company was to acquire and exercise the right to manage the whole building.

3. The applicant Company was in the circumstances a valid RTM company within the meaning of section 73 of the Act although its object was to manage two set of premises which together formed premises within the meaning of section 72 of the Act.

4. The failure to state in the claim notices which qualifying tenant owned which flat was an inaccuracy which did not in the circumstances invalidate the claim notices, no prejudice having been caused to the respondent by the inaccuracy.

Background

1. This is an application under section 84(3) of the Commonhold and Leasehold Reform Act 2002 ("the Act") for a determination that Mountview Road RTM Company Limited ("the Company") had on the relevant date, which is 23 March 2009, the right to acquire the right to manage 12 and 14 Mountview Road, London N4.

2. Neither the Company nor the respondent landlord, IZA Limited, has asked for an oral hearing, and this determination in made on the basis of written representations alone and without an oral hearing in accordance with the procedure set out in regulation 13 of the Leasehold Valuation Tribunals (Procedure) (England) Regulations 2003 ("the regulations"), and by a single member of the tribunal by virtue of regulation 13(5). Written representations have been submitted on behalf of both parties in compliance with the tribunal's directions.

3. 12 and 14 Mountview Road are a pair of semi-detached houses occupying a corner plot. Each house has been converted into flats, all of which are held on long leases. There are 14 flats in 12 Mountview Road and 7 flats in 14 Mountview Road. The administrators of three companies in administration hold the leases of all 21 flats and are accordingly qualifying tenants, and each is a member of the Company.

4. On 23 March 2009 separate notices of claim were given by the Company to the landlord in respect of 12 and 14. On or about 27 April 2009 the landlord served a counter-notice in respect of each claim, in each of which it asserted that the Company was not entitled to acquire the right to manage for two reasons, namely that the claim notices did not properly identify the addresses of the gualifying tenants, and that the same RTM company sought to exercise rights over more than one set of premises. By a letter dated 8 May 2009 the Company's solicitors applied to the tribunal for a determination that it was entitled to acquire the right to manage 12 and 14. At a pre-trial review conducted by telephone directions were given for the hearing of the application and, and in the landlord's written case dated 23 June 2009 served in accordance with the directions, Martin Dray of counsel, instructed by Michael Simkins LLP, solicitors, submitted that the application should be dismissed, not only on the two grounds given in the counter-notices, but also because the application was invalid. Undated further submissions from Zia Bhaloo of counsel, instructed by Lester Aldridge LLP, solicitors, were submitted in answer to Mr Dray's submissions, and, as they raised matters in relation to which it was clear that the landlord should be given the opportunity

to respond, I directed that such an opportunity should be given. Further submissions on the landlord's behalf dated 5 August 2009 were made by Mark Sefton, to which the Company's solicitors responded by a letter dated 13 August 2009.

The validity of the application

5. Mr Dray said that the only documents which the landlord received from the tribunal pursuant to regulation 5(1) of the regulations were a copy of a letter from the Company's solicitors to the landlord dated 29 April 2009, together with copies of the claim notices and counter-notices. He submitted that the Company's application was accordingly plainly invalid because it did not comply with regulation 3(1), which requires that "The particulars to be included with an application are – (a) the name and address of the applicant; (b) the name and address of the respondent; (c) the name and address of any landlord or tenant of the premises to which the application relates; (d) the address of the premises to which the application relates; and (e) a statement that the applicant believes that the facts stated in the application are true". He also asserted that some of the particulars and documents required by paragraph 4 of Schedule 2 to the regulations to be included with the application, namely the name and address for service of the RTM company ..., the name and address of the freeholder, any intermediate landlord and any manager [and] a copy of the memorandum and articles of association of the RTM company, were not included in or with the application.

6. In her submissions in reply, Ms Bhaloo submitted that all the requirements of regulation 3(1) were satisfied by a document dated 8 May 2009 sent to the tribunal by the Company's solicitors with which were included copies of the claim notices, counter-notices, a letter dated 29 April 2009 from the Company's solicitors to the freeholder's solicitors and the lease of Flat 1, 12 Mountview Road. She submitted that all the particulars and documents required by regulation 3(1) and paragraph 4 of Schedule 2 to the regulations had been provided in or with the document with the exception of the

memorandum and articles of association of the Company, the absence of which, she submitted, did not invalidate the application. She submitted that the landlord was not prejudiced by any deficiencies in the application, in that it knew with whom it was dealing and at what address to serve documents, and had in its possession the memorandum and articles of association on which, indeed, it relied in relation to other aspects of its case. She invited the tribunal, if and insofar as it considered it necessary to do so, to apply regulation 3(8) of the regulations so as to dispense with or relax the procedural requirements of regulations relating to the contents of the application. Furthermore, she submitted, since the landlord's solicitors took part in the pre-trial review and agreed to the directions given, taking no point as to the validity of the application, they had elected to treat the application as valid and could not now resile from that position. She described all the landlord's arguments as technical and unmeritorious.

7. Mr Sefton said that, far from the landlord's case being technical and unmeritorious, the Company's position was without merit in that each of the participating tenants was a company in administration and accordingly, by definition, "is or is likely to become unable to pay its debts" (paragraphs 11 and 27(2) of Schedule B1 to the Insolvency Act 1986), and that it was notable that the claims were made immediately after the landlord served notice that substantial repairs to the premises were required. He submitted that the claims themselves were technical and unmeritorious, although the question for the tribunal was not whether either party's case was technical or unmeritorious but whether the Company was legally and procedurally entitled to succeed. He made no further submissions in respect of the validity of the application and did not dispute that the landlord had received the document dated 8 May 2009. In their response dated 13 August 2009 the Company's solicitors said that the Company had not concealed the fact that the participating tenants were companies in administration, and that the administrators were officers of the court with a duty to act in the best interests of the companies' creditors.

Decision

8. I am satisfied that the Company's solicitors' letter to the tribunal dated 8 May 2009, with its enclosures, which purports to be the Company's application, was sent to the landlord by the tribunal in accordance with regulation 5(1). I am satisfied that that is the case because Mr Sefton has not submitted otherwise in response to Ms Bhaloo's submissions, because the tribunal's own records show that the letter and enclosures were served on the landlord in accordance with the regulation, and because it is most unlikely that the landlord would have taken part in the pre-trial review, let alone without taking any point as to the absence of an application, had it not been served with a copy of the document dated 8 May, since the Company's solicitors' letter to the landlord dated 29 April to which Mr Dray referred could not conceivably be regarded as an application to the tribunal.

9. All the particulars and documents required by regulation 3(1) and paragraph 4 of Schedule 2 to the regulations were included in or with the document dated 8 May 2009 with the exception of the Company's memorandum and articles of association, and I am quite satisfied that the omission of these documents is a requirement which may be dispensed with or relaxed in accordance with regulation 3(8) which provides:

Any of the requirements in the preceding paragraphs may be dispensed with or relaxed if the tribunal is satisfied that –

(a) the particulars and documents included with an application are sufficient to enable the application to be determined; and
(b) no prejudice will, or is likely to, be caused to any party to the application.

I am satisfied as to both (a) and (b), the only necessary document or information missing from the application being in the landlord's possession in sufficient time for it to put its case. Mr Sefton did not seek to submit in his response to Ms Bhaloo's submissions that any prejudice had been caused to the landlord by the omission of the memorandum and articles of association

and I am satisfied that the landlord has suffered no prejudice thereby. I do not consider that the merits or otherwise of the Company's position or that of the landlord are relevant to any of the legal and procedural issues which arise in this application.

The validity of the claims

The relevant statutory provisions

10. Section 72 of the Act provides:

(1) This Chapter applies to premises if –

 (a) they consist of a self-contained building or part of a building, with or without appurtenant property,

(b) they contain two or more flats held by qualifying tenants,(the total number of flats held by such tenants is not less than two-thirds of the total number of flats contained in the premises.

(2) A building is self-contained if it is structurally detached.

(3) A part of a building is a self-contained part of a building if –

(a) it constitutes a vertical division of the building,

(b) the structure of the building is such that it could be

redeveloped independently of the rest of the building, and

(c) subsection (4) applies in relation to it.

(4) This subsection applies in relation to a part of a building if the relevant services provided for occupiers of it –

(a) are provided independently of the relevant services provided for occupiers of the rest of the building, or

(b) could be so provided without involving the carrying out of works likely to result in a significant interruption in the provision of any relevant circumstances for occupiers of the rest of the building.

(5) Relevant services are services provided by means of pipes, cables or other fixed installations.

(6) Schedule 6 has effect.

11. The relevant parts of section 73 provide:

(1) This section specifies what is a RTM company.

(2) A company is a RTM company in relation to premises if –

(a) it is a private company limited by guarantee, and

(b) its memorandum of association states that its object, or one of its objects, is the acquisition and exercise of the right to manage the premises.

(4) ... a company is not a RTM company in relation to premises if another company is already a RTM company in relation to the premises or to any premises containing or contained in the premises.

(5) If the freehold of any premises is conveyed or transferred to a company which is a RTM company in relation to the premises, or any premises containing or contained in the premises, it ceases to be a RTM company when the conveyance or transfer is executed.

12. Section 74(1)(a) provides:

(1) The persons who are entitled to be members of a company which is a RTM company in relation to premises are –

(a) qualifying tenants of flats contained in the premises, and

(b) from the date on which it acquires the right to manage ..., landlords under leases of the whole or any part of the premises.

13. Section 80 provides:

(1) The claim notice must comply with the following requirements.

(2) It must specify the premises and contain a statement of the grounds on which it is claimed that they are premises to which this Chapter applies.

(3) It must state the full name of each person who is both -

(a) the qualifying tenant of a flat contained in the premises, and

(b) a member of the RTM company,

and the address of his flat.

(4) And it must contain, in relation to each such person, such particulars of his lease as are sufficient to identify it, including –

- (a the date on which it was entered into,
- (b) the term for which it was granted, and
- (c) the date of commencement of the term.

(5) It must state the name and registered office of the RTM company.

(6) It must specify a date, not earlier than one month after the relevant date, by which each person who was given the notice under section 79(6) may respond to it by giving a counter-notice under section 84.

(7) It must specify a date, at least three months after that specified under subsection (6), on which the RTM company intends to acquire the right to manage the premises.

(8) It must also contain such other particulars (if any) as may be required to be contained in claim notices by regulations made by the appropriate national authority.

(9) And it must comply with such requirements (if any) about the form of claim notices as may be prescribed by the regulations so made.

14. The Right to Manage (Prescribed Particulars and Forms) (England) Regulations (SI 20031988) ("the RTM regulations"), which are the only relevant regulations applicable to England, contain, in regulation 4, additional contents which are to be included in claim notices of which the following is relevant. By regulation 4(c) there must be included:

a statement that the notice is not invalidated by any inaccuracy in any of the particulars required by section 80(2) to (7) of the 2002 Act or this regulation, but that a person who is of the opinion that any of the particulars contained in the claim notice are inaccurate may –

(i) identify the particulars in question to the RTM company by which the notice was given; and

(ii) indicate the respects in which they are considered to be inaccurate.

15. The relevant parts of section 81 provide:

(1) A claim notice is not invalidated by any inaccuracy in any of the particulars required by or by virtue of section 80.

(2) Where any of the members of the RTM company whose names are stated in the claim notice was not the qualifying tenant of a flat contained in the premises on the relevant date, the claim notice is not invalidated in that account, so long as a sufficient number of qualifying tenants of flats contained in the premises were members of the company in that date ...

Rights claimed by the Company over more than one set of premises

16. Mr Dray submitted that an RTM company could not make claims to acquire the right to manage more than one set of premises, and that, by asserting rights over two sets of premises, the Company was not an RTM company within the meaning of the Act. He submitted that, by section 73, a

company was only an RTM company if it related to "premises" as defined by section 72, and that what he described as merged sets of premises were not "premises" within the meaning of section 72, and he submitted that the use in section 72 of the singular "the premises" was significant. He said that if, contrary to his submission, the two sets of premises were, together, "premises", each notice of claim would be invalid because neither covered the entirety of the premises. He submitted that his argument was fortified by consideration of section 74(1)(a) which provides that qualifying tenants of flats contained in "the premises" are entitled to be members of the RTM company, because, if an RTM company could acquire more than one set of premises that would have the effect that qualifying tenants of one set of premises would be entitled to be members of the company and vote in respect of another set of premises, which could not have been the intention of Parliament.

17. For the Company, Ms Bhaloo said that it was clear from the plans attached to the Official Copy Entries on the register of title and from a photograph that 12 and 14 were part of the same detached building. It was, also, she said, clear from the leases of the flats in 12 and 14 that both addresses were treated as one unit for some purposes. She referred in particular to the first schedule to the sample lease in which "the Building" was defined as 12 and 14 Mountview Road; to clause 2.2.2, by which the leaseholder was obliged to pay a reasonable share of the amount which the landlord spent to insure "the Building"; to clause 3.41, in which the leaseholder's service charge is calculated by reference to the landlord's expenditure in connection with "the Building"; and to part 2 of the second schedule, by which the leaseholder is granted rights of shelter and support from other parts of "the Building". She submitted that it would make no sense to have separate RTM companies for 12 and 14 since the properties were one unit for the purpose of the leases.

18. She submitted that not only did 12 and 14 each fall within the definition of "premises" in section 72 of the Act in that each was " self-contained part of a building", but 12 and 14 taken together were also "premises" within the meaning of the section because they were a structurally detached building.

She said that there was no use of the singular in section 72 because "premises" was the plural form of "premise", as the Oxford English Dictionary showed. She submitted that there was nothing in section 72 which prevented 12 and 14 from being regarded as one set of premises within the meaning of section 72. So, she submitted, if 12 - 14 Mountview Road were together capable of being "premises" under section 72, there was no reason why an RTM company could not be formed for the purpose of managing those premises. To object that two notices could not be served in respect of 12 and 14 was, she submitted, absurdly technical.

19. But, she submitted that if that submission was rejected, and the tribunal considered that the claim notices should have named the premises as 12 - 14 Mountview Road, the Company relied on section 81(1) of the Act and submitted that any such inaccuracy in the description of the premises should not invalidate the claim notices, since it was clear that 12 and 14 must be managed together, and neither the landlord nor any of the leaseholders was in any way prejudiced by any error.

20. Finally, she referred to two previous decisions of leasehold valuation tribunals which raised similar issues (Dawlin RTM Limited v Oakhill Park Estate (Hampstead) Limited and others (LON/00AG/LEE2005.0012) and Belmont Hall Court and Elm Court RTM Company Limited The Halliard Property Company Limited (LON/00AZ/LRM/2008/0013). In the Oakhill Park case the tribunal decided that an RTM company could acquire the right to manage five blocks of flats on one estate. In the Belmont Hall Court and Elm Court case the tribunal decided that an RTM company could in principle acquire the right to manage premises in separate buildings which had "some sort of common identity or could be regarded as a single entity", although, on the facts, it held that two blocks of flats were not "premises" for the purpose of the Act because they had nothing in common except for shared boilers, and that accordingly the applicant was not an RTM company within the meaning of section 73.

21. In response to Ms Bhaloo's submissions, Mr Sefton submitted that the assertion that 12 and 14 might together form a single set of premises was irrelevant, because the landlord had not been served a single notice of claim to acquire the management of those premises as a whole. He submitted that if the Company was not be a valid RTM company it could not give a valid notice of claim, and that a company the memorandum of which stated that its object was to acquire the management of two sets of premises was compliant not only with section 73(2)(b) of the Act but also with the requirements of the RTM Companies (Memorandum and Articles of Association) (England) Regulations 2003 (SI 2003/2120), which were mandatory (regulation 2(1)) and which did not permit the object to state that the company would acquire the right to manage more than one set of premises. The reason for these requirements was, he submitted, clear and arose from section 73(4), the effect of which was that, if a company had been formed with the stated object of managing a given set of premises, no other company could be formed as a valid RTM company with the stated object of managing the same premises, which would have the effect, for example, of disenfranchising the leaseholders of a small block of flats where the leaseholders of a larger block had formed a company with the stated object of acquiring the right to manage both blocks. The effect of the Company's arguments, taken to its absurd limits, was, he submitted, that anyone could incorporate a company with the stated object of acquiring the right to manage all the blocks of flats in London, which would have the effect of preventing every leaseholder in the city from exercising the right to manage. He said that other leasehold valuation decisions were not precedents, that neither of the decisions cited by Ms Bhaloo answered the questions posed in the present case, and at least one of the decisions was the subject of an appeal which has either not yet been heard or has been compromised.

Decision

22. I am satisfied that the Company is entitled in the circumstances to claim the right to manage both 12 and 14 Mountview Road, that 12 and 14

Mountview Road are, together, "premises" within the meaning of section 72 of the Act and that the Company is a valid RTM company within the meaning of section 73 of the Act.

23. It is clear from section 72(2) that 12 and 14 together, which are a structurally detached building, are "premises" within the meaning of that subsection. It is also clear that 12 and 14 are each "premises" by virtue of section 72(3). Section 73(4) confirms, if confirmation were needed, that one set of premises may be contained within another set of premises. There is nothing in the Act to prevent an RTM company from acquiring the right to manage both 12 and 14 as the Company seeks to do, or alternatively to prevent two RTM companies from each acquiring the right to manage 12 and Mr Dray's submission that a single RTM company cannot 14 respectively. cover multiple premises where the multiple premises are contained within one structurally detached building is clearly incorrect. Had "the premises" consisted of separate buildings the position might have been different, but that does not arise in this case.

24. The Company is a private company limited by guarantee of which its memorandum of association states that its object is the acquisition and exercise of the right to manage both 12 and 14 which together form "premises" within the meaning of section 72(2) and it therefore falls squarely within the definition of an RTM company in section 73. Nothing could be further removed from Mr Sefton's fanciful scenario of one RTM company having as its object the acquisition of the right to manage every block of flats in London and thereby preventing almost everyone from exercising his right to manage.

25. The real question is whether each notice of claim is valid notwithstanding that it covers only part of the premises of which the Company claims the right to manage. Section 80(2) requires the claim notice to *specify the premises and contain a statement of the grounds on which it is claimed that they are premises to which this Chapter applies.* Each of the two parts of the building are themselves "premises" to which Chapter 1 of Part 2 of the Act applies, but

they are not the "premises" of which the Company seeks to acquire the right to manage, and, strictly, there should in my view have been a single claim notice seeking the right to make both 12 and 14 which, together, are the relevant "premises". I regard the misdescription as an inaccuracy in the particulars required to be included in the claim notice.

26. Section 81(1) of the Act provides that a claim notice is not invalidated by *any* inaccuracy in the particulars. Taken at face value that subsection suggests that any document which purports to be a claim notice, however inaccurate it might be, must be regarded as valid. That cannot be right. I agree with the observation of a tribunal in *Bennetts Courtyard RTM Limited v Ground Rents (Regisport) Limited* (LON/00BA//LRN/2008/0007) that "If all the particulars required by section 80 were omitted one would be left with a meaningless document [which] ... could not form the basis of a claim". I also agree with the validity of initial notices in enfranchisement cases, and I consider that the claim notice must contain sufficient information to enable the respondent to know in general terms the nature of the claim and to judge the merits of the claim, and that any inaccuracies which it contains must not be such as to cause prejudice to the respondent.

27. I am quite satisfied that the failure to identify in each claim notice the whole "premises" of which the Company seeks to acquire the right to manage is in the circumstances a minor inaccuracy which has caused no prejudice to the landlord. Both notices were given on the same day, by the same RTM company, in circumstances in which the landlord could not possibly have been misled as to the purpose and nature of the claims. No prejudice to the landlord is asserted by Mr Dray or Mr Sefton. This is an obvious situation to which section 81(1) should apply.

Failure to state the addresses of the flats of the qualifying tenants who are members of the Company

28. Attached to each of the claim notices was a schedule in two parts. The first part gave the names and addresses of the companies which are qualifying tenants who are members of the Company; the second part gave the number of each flat, the date when the lease of that flat was entered into, the term of the lease and the date of its commencement. Neither the body of the notices nor the schedules to them state which leaseholder holds the lease of which flat but it is clear on the face of the documents that all the qualifying tenants are members of the Company.

29. Mr Drav submitted that the claim notices are invalid in that, in breach of section 80(3) of the Act, they do not state the full name of each person who is both (a) the qualifying tenant of a flat contained in the premises and (b) a member of the RTM company, and the address of his flat (emphasis added). He said that there was a clear statutory obligation to give the address of each participating tenant's flat, and the obvious purpose of the obligation was that the recipient of the notice should be able to ascertain, from reading the claim notice itself, which flats were held by participating tenants and which participating tenant owns which flat, information which was necessary for the recipient to assess the validity of the claim, having regard to the threshold requirements of sections 72(1), and 79(4) and (5). He said that the landlord would resist any argument based on section 81(1) because the information required by section 80(3), unlike the information required by section 80(4) and (7) (presumably a reference to section 80(8) is intended), was neither described nor properly to be regarded as "particulars", an inaccuracy in which might be overlooked under section 81(1). He said that the failure to give the necessary information meant that the claim notices were insufficient and deprived the landlord of the opportunity to decide whether the claim was a good one.

30. In response, Ms Bhaloo submitted that there was no failure to comply with the statutory requirements because the name and address of each person who was a qualifying tenant and member of the Company and the address of his flat were given, albeit in separate schedules. If, she submitted, it was considered that the failure to specify the flat owned by each leaseholder

was a breach of a statutory requirement, no prejudice was thereby caused to the landlord because all the tenants were members of the Company and there was no need for the landlord to identify which tenants were participating and which were not. Accordingly, she submitted, the addresses of the tenants were not a significant detail, and any defect in this respect should be overlooked by virtue of section 81(1).

Decision

31. I agree with Mr Dray and Mr Sefton that a claim notice is required by section 80(3) to state not only the name of each participating tenant but also the address of that tenant's flat, linking the flat to the tenant who owns it, and it is insufficient to include the tenants' names and the addresses of the flats without connecting them. I therefore agree that these notices are defective in that respect.

32. I do not agree with Mr Dray's submission that there is a distinction between the requirements of section 80(3) and those of sections 80(4) and (8) to be derived from the use of the word "particulars" in the latter and not in the former. There is in my view no fundamental distinction to be made between "requirements" and "particulars" and thus no significance in the absence from section 80(3) of the word "particulars" and in this connection it is notable, though not perhaps conclusive, that regulation 4 of the RTM Regulations 2003 (*supra*) makes no such distinction in that it provides:

A claim notice shall contain (in addition to the particulars requested by subsections (2) to (7) of section 80 ... of the 2002 Act) ...

33. The questions which are required to be answered are whether in the present case the failure to link the tenant to the flat is an "inaccuracy" and, if it is, whether it affects the validity of the claim notices.

34. It is arguable, although it has not been specifically argued on behalf of the landlord, that the failure to identify the address of the flat owned by each participating tenant is not an inaccuracy but an omission, and as such does not fall within the saving provision of section 81(1). I consider that such an approach would be too technical and is not correct. It would be illogical to say, for instance, that giving a false name or address of a tenant was an inaccuracy which could be overlooked but the omission of such information could not, when the former is the more serious error.

35. So, then, does the absence of the addresses of the tenants' flats invalidate the notices? I am satisfied that it does not, because the landlord was not, in the particular circumstances, prejudiced. It is clear on the face of the notices that the tenants of all the flats are both qualifying tenants and members of the Company, so that there can be no doubt as to compliance with the threshold requirements of sections 72(1), and 79(4) and (5) as to which, as Mr Dray submitted, the respondent needs to be satisfied.

36. For these reasons I am satisfied that these claims are valid and that the Company is a valid RTM company which was on the relevant date entitled to acquire the right to manage 12 and 14 Mountview Road.

TRIBUNAL DATE: 11 September 2009