

**LONDON RENT ASSESSMENT PANEL**

**DECISION OF THE LEASEHOLD VALUATION TRIBUNAL ON AN APPLICATION  
UNDER SECTION 27A OF THE LANDLORD AND TENANT ACT 1985**

**Case Reference:** LON/00AP/LSC/2013/0125

**Premises:** 2<sup>nd</sup> floor, 134 Archway Road  
London N6 5BH

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**Applicants:** Mr D Alterman  
Mr P Alterman  
Ms R Alterman  
NSS Trustees Ltd

**Representative:** Altermans Solicitors

**Respondents:** Mr DJ Meisels  
Mr NJ Morris

**Leasehold Valuation  
Tribunal:** Mr NK Nicol  
Mr T Johnson FRICS

**Date of decision:** 25<sup>th</sup> June 2013

**Decision of the Tribunal**

The Tribunal determines that the sum of £379.70 for a service charge in respect of the insurance premiums for 2010 and 2011 is reasonable and payable by the Respondents. The parties should re-apply to the county court for the determination of any remaining issues in these proceedings.

**The application**

1. The Applicants seek a determination pursuant to s.27A of the Landlord and Tenant Act 1985 as to the payability of service charges in relation to buildings insurance premiums. Proceedings were originally issued in the Barnet County Court under claim no. 2YM63224. The claim was transferred to this Tribunal, by order of Deputy District Judge Shaw on 13<sup>th</sup> February 2013.
2. The county court claim included claims for ground rent and costs which are not within the Tribunal's jurisdiction. The only matter which could be transferred

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was the claim for the sum of £379.70 in relation to insurance premiums for 2010 (balance of 20p said to be outstanding) and 2011 (£379.50). The Applicants' statement of case for these proceedings sought to include the insurance premium for 2012 as well but that is not part of the current dispute and this decision does not address it.

3. The Tribunal issued directions on 24<sup>th</sup> April 2013 for this case to be heard on the papers. Neither party requested a hearing. Both have provided statements of case setting out their respective positions and relevant documentation on the basis of which the Tribunal has proceeded to make its determination.
4. The relevant legal provisions are set out in the Appendix to this decision.

### **Insurance for 2010**

5. The Applicants demanded from the Respondents the sum of £508.20 in service charges relating to buildings insurance for 2010. The Respondents paid all but 20p which was an oversight. They later proffered the 20p, together with an instalment of ground rent but, for reasons which are not apparent, their cheque was returned uncashed. There appears to be no dispute about the payability of this item and the Applicants would be well-advised to accept it if it is proffered again.

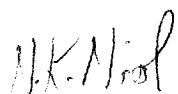
### **Insurance for 2011**

6. The service charge for insurance for 2011 was to have been £556.50 but the Applicants say that their agents, Quadron, as a gesture of goodwill negotiated a reduction to £397.50. Nevertheless, the Respondents believed this to be unreasonably high. They obtained two quotes, one for just their flat at £192.19 and one for all 3 flats at £697.48, of which their share would have been £237.50. They asserted that this demonstrated the premiums obtained by the Applicants were too high.
7. However, it is a common problem with challenges before the Tribunal to insurance premiums that the quotes obtained are not like-for-like. The size of the premiums is determined not only by the value of the property in question but also by other matters, one of the most important of which is the claims history. In their Response, the Applicants pointed out that their agents, Quadron, place insurance for the entire portfolio of over 3,000 properties for which the claims history includes payouts of more than £2.5m. It is not clear how much, if any of this, relates to the subject property but the Tribunal cannot be satisfied that the Respondents' alternative quotes provide any real comparison.
8. Further, there is no obligation on the Applicants to seek the cheapest insurance premiums. As it turns out, according to the Applicants' Response, Quadron do market test the insurance for the whole portfolio every two years. Unfortunately, due to the claims history, most of the insurers asked to quote

on the last occasion refused to do so. Nevertheless, the insurers have been changed through this process twice in the last 9 years which shows that the Applicants are prepared to make changes when possible.

9. The Respondents questioned whether the insurance premiums were inflated by the payment of commissions but the Applicants say no commissions have been paid and no evidence is available to contradict this.
10. It is not in dispute that the insurance was placed with an insurer of repute, namely Allianz. The Applicants are entitled to seek the benefits which come from placing the insurance as a block for their whole portfolio. Given the market testing, the Tribunal has no reason to believe that the premiums are to any extent unreasonable. Therefore, the sum of £379.50 for 2011 is reasonable and payable.

Chairman:



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Mr NK Nicol

Date:

25<sup>th</sup> June 2013

## **Appendix of relevant legislation**

### **Landlord and Tenant Act 1985**

#### **Section 18**

- (1) In the following provisions of this Act "service charge" means an amount payable by a Tenant of a dwelling as part of or in addition to the rent -
  - (a) which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the Landlord's costs of management, and
  - (b) the whole or part of which varies or may vary according to the relevant costs.
- (2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the Landlord, or a superior Landlord, in connection with the matters for which the service charge is payable.
- (3) For this purpose -
  - (a) "costs" includes overheads, and
  - (b) costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.

#### **Section 19**

- (1) Relevant costs shall be taken into account in determining the amount of a service charge payable for a period -
  - (a) only to the extent that they are reasonably incurred, and
  - (b) where they are incurred on the provisions of services or the carrying out of works, only if the services or works are of a reasonable standard; and the amount payable shall be limited accordingly.
- (2) Where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable, and after the relevant costs have been incurred any necessary adjustment shall be made by repayment, reduction or subsequent charges or otherwise.

#### **Section 27A**

- (1) An application may be made to a Leasehold valuation tribunal for a determination whether a service charge is payable and, if it is, as to -
  - (a) the person by whom it is payable,
  - (b) the person to whom it is payable,
  - (c) the amount which is payable,
  - (d) the date at or by which it is payable, and
  - (e) the manner in which it is payable.
- (2) Subsection (1) applies whether or not any payment has been made.
- (3) An application may also be made to a Leasehold valuation tribunal for a determination whether, if costs were incurred for services, repairs, maintenance,

- improvements, insurance or management of any specified description, a service charge would be payable for the costs and, if it would, as to -
- (a) the person by whom it would be payable,
  - (b) the person to whom it would be payable,
  - (c) the amount which would be payable,
  - (d) the date at or by which it would be payable, and
  - (e) the manner in which it would be payable.
- (4) No application under subsection (1) or (3) may be made in respect of a matter which -
- (a) has been agreed or admitted by the Tenant,
  - (b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the Tenant is a party,
  - (c) has been the subject of determination by a court, or
  - (d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.
- (5) But the Tenant is not to be taken to have agreed or admitted any matter by reason only of having made any payment.