



## **The Social Housing Action Campaign**

# **Report on the Abuse of the Service Charge System by Housing Association Landlords**

**March 2021**

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## SECTION ONE: INTRODUCTION AND CONTEXT

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### 1. Introduction

The Housing Quality Network's advert for a service charge workshop declares that

*"Whilst rent arrears are always hitting the press, many organisations spend hundreds of thousands of pounds on providing services. But few recover the full costs from their tenants and leaseholders."*

Housing Quality Network<sup>1</sup>

Hundreds of thousands of tenants and residents across the UK would beg to differ. They would say that tenants and residents are being systematically financially abused through housing association service charging.

The evidence we have collected through two surveys over the last six months shows that housing associations are wrongly, possibly fraudulently, extracting money from tenants and residents. Landlords are getting away with the abuse because the field is firmly tilted in their favour. The imbalance in power is achieved through:

- **Invisibility: The majority of service charges are not scrutinised**  
Bills are not scrutinised because the tenant or resident is receiving benefits which in some cases go straight to the landlord. In 2013, Government introduced Universal Credit which does not differentiate the housing element from other aspects of the benefit payment making it even more difficult to understand how much money is delivered to housing associations from the benefits system<sup>2</sup>. Other factors preventing scrutiny arise from tenants and residents' own circumstances, for example language barriers.
- **Sloppy and vague record keeping**  
Poor record keeping serves the landlord by making it difficult for tenants and residents to fully understand how the charges have been arrived at.
- **Inaccuracy and inadequate mechanisms for apportioning costs**  
Tenants and residents find that their bills are beset with errors in favour of the landlord. Where they live in maisonettes or blocks of flats, they find that they are paying a disproportionate share of the cost of communal services;
- **Attrition to prevent tenants and residents addressing errors**  
Landlords ensure that tenants and residents are deterred from using the complaints systems by turning it into a 'war of attrition' with any tenant or resident who wants to

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<sup>1</sup> Housing Quality Network 'Setting Service Charges and Maximising Income' workshop advert <https://hqnetwork.co.uk/service-charges---setting-service-charges-and-maximising-income-a-practical-workshop/>

<sup>2</sup> Department for Work and Pensions Statistical Release November 2013 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/256658/stats\\_summary\\_nov13.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/256658/stats_summary_nov13.pdf)

report an issue. As an illustration of the difficulties faced, one resident attempting to assert their legal right to an itemised breakdown of service charges wrote in frustration:

- **London & Quadrant resident (Ref TAC014)** *“I contacted the service charge team [for a breakdown of charges] multiple times - originally on 05/05/2020, then on 24/08/2020 I made a formal Section 22 request. I received nothing so I sent follow ups on 27/08/2020, 28/08/2020, 15/09/2020, 28/09/2020, 21/10/2020 and a formal complaint on 14/10/2020 which has still not been addressed well past the deadline.”*

- **Institutional barriers making remedy largely inaccessible**

For those whose complaint is within a Tribunal remit, the option remains to go to court. In other cases, they may be able to approach the Housing Ombudsman. Both processes however are highly challenging and bureaucratic.

Broadly, the law stipulates that a person should only be liable for service costs where the cost has been reasonably incurred and carried out to a reasonable standard (Landlord and Tenant Act 1985<sup>3</sup>). Section 22 of the Act also says that where a tenant, or the secretary of a recognised tenants' association, has obtained summary of relevant costs they can ask the landlord in writing to provide reasonable facilities for inspecting the accounts, receipts and other documents supporting the summary, and for taking copies or extracts from them. However, one repeated complaint made to SHAC is that housing associations do not feel compelled to comply with these sections of the law.

- **Hexagon Housing (Ref NGC018)** The resident lives in a large block and is one of a small group of around 30 shared owner residents. Hexagon is both landlord and managing agent for these residents. The resident describes the service charges over the last few years as *“increasing and less than transparent”*. Attempting to interrogate the charges has been fraught with problems. The landlord supplied only a subset of receipt and invoices, and documentation for some of the major cost items such as buildings insurance has been absent. The residents have engaged with the landlord on multiple occasions, with meetings and with formal complaints. They have involved local councillors and the MP, but are still battling.

Our conclusion is that the service charge system needs a root and branch review, with stronger legislation to protect tenants and residents. Access to justice needs to be improved. Regulatory and remedial institutions need to have greater power to force changes in recording systems, as well as rapid refunds where errors are identified.

## 2. About Our Surveys

Evidence for this report was collated through an online snapshot survey in 2020. In March 2021, we launched a more detailed evidence-gathering exercise which allowed tenants and residents to report overcharging or phantom charging through an online system. Respondents were asked to send supporting evidence by email to SHAC.

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<sup>3</sup> Landlord and Tenant Act 1985 <https://www.legislation.gov.uk/ukpga/1985/70>

Where the evidence was compelling, SHAC followed up with further correspondence or telephone discussions with the respondent. There were also two cases which came through engagement on social media rather than the online survey.

In total, almost 60 case studies were collected, far outstripping our expectations. Eighteen case studies are featured in this report, all from tenants and residents across eleven housing association landlords. These cases have been selected because they are particularly illustrative of the problems reported to SHAC.

We have supported our own findings by highlighting a sample of cases from the Housing Ombudsman and the First Tier Tribunal (Residential Property).

We have endeavoured to ensure that all statements made in this report are made in good faith, and supported by documentary evidence where possible.

**SHAC would like to put on record our thanks to everyone who helped with this report, whether by submitting evidence or otherwise providing support. Although not all cases were subsequently used in the report, each one adds to the body of information and collective supporting evidence.**

This report starts with context on service charging across the sector, then provides evidence to support our findings. It concludes with an appeal for action to address the service charging scandal.

### 3. Service Charging Across the Housing Association Sector

The housing association sector collected a total of £1.4 billion in service charges from tenants and residents in 2019/20 according to the Regulator of Social Housing's Global Accounts<sup>4</sup>.

According to the same accounts, the sector spent £1.7 billion on providing services, so even by their own figures, housing associations are getting it wrong. This discrepancy raises a serious question about the management of service charging and the reliability of data reported to the Regulator.

It is impossible to establish what proportion of this income was erroneously charged either by the landlord or sub-contractor, or fraudulently levied for services that were never provided. This would require investigative powers and authority beyond those available to SHAC.

### 4. Private Landlords

Problems with service charging affect residents of private corporate landlords too. An article in the Financial Times entitle "*We are trapped: residents hit with soaring charges at luxury London homes*" featured Ballymore leaseholders who had experienced service charge hikes of 10%-15% per annum<sup>5</sup>.

In highlighting the article to SHAC, a housing association resident noted that they had bills on a par with those in Ballymore dwellings, but without the "*various on-site facilities, including a*

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<sup>4</sup> Regulator of Social Housing Global Accounts (2019/20) <https://www.gov.uk/government/publications/2019-global-accounts-of-private-registered-providers/2019-global-accounts-data-file-introduction-and-statements>

<sup>5</sup> Financial Times, (13 March 2021), 'We are trapped', <https://www.ft.com/content/b135b814-dc9e-4abc-bb64-f378d11179d8?shareType=nongift>

*Jacuzzi, sauna and sky-high swimming pool*” that the Ballymore residents enjoyed. Nonetheless, it highlights that tenants and residents are financially exploited across both housing tenures.

## SECTION TWO: EVIDENCE

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### 5. SHAC's First Service Charge Survey

After receiving a number of complaints about charges, SHAC carried out a snapshot service charge survey in 2020. Although the number of responses were small compared to the size of the sector, our research showed that:

- **Around 40% of tenants and residents had experienced service charges increases which vastly outstripped inflation.** Service charge bills had more than doubled between 2018 and 2019 for around 15% of respondents. More than a third of respondents had to meet a 10% to 29% rise in bills over the same period. A further third had to meet service charge increases ranging between 30% and 100%.
- **Around 52% of respondents had been overcharged compared to just 16% who had ever been undercharged.** The error rate in favour of the landlord is therefore more than three times higher than it is in favour of the tenant or resident. The most that any respondent had been undercharged was £800, which contrasts with a £6,000 maximum overcharge amongst respondents.
- **There was also a large discrepancy in the scale of overcharging compared to undercharging.** Errors which increased the bill between 1% and 10% were found in 12% of cases, between 11% and 50% of the bill were present in a third of cases, between 51% and 100% of the bill in almost half the cases, and 12% of respondents had errors which more than doubled their bill. By contrast, none of the undercharging errors exceeded 20% of the bill.
- **Tenants and residents who pay their bills struggle to get reimbursed even if an error is identified.** Around 70% of overcharged respondents had not yet been reimbursed, and around 35% were still battling between 12 months and two years after the billing date. In all cases of undercharging, the landlord had recouped the loss.
- **Landlords pass on supplier cost increases, but rarely if ever pass on efficiency savings.** In both cases, the financial benefit leans toward the landlord. Around 5% of respondents had been informed of efficiency savings, but only a quarter of these received lower bills as a result. By contrast, a fifth of respondents had been informed of supplier cost increases, all resulting in higher bills.

### 6. Case Studies

The snapshot survey was followed up with more detailed evidence gathering by way of case studies. Each case study presented below has been selected as illustrative of a particular aspect of problems experienced by tenants and residents with service charges.

It is worth bearing in mind that in each case, the respondent was just one of a number of people affected, and in some cases, the mischarging applied to entire estates.

One participant wrote:

*"My experiences with the Housing Ombudsman and Property Tribunal have been less than satisfactory, but the latter did force YHG's [Your Housing Group] hand on at least one issue.*

*This resulted in a refund of some charges and YHG decided to apply to all 92 residents in the block – and possibly more in other properties.”*

Your Housing Group tenant (Ref DRC012)

Similarly, a Hyde tenant noted:

*“I live in a [street] property, I have my own street front door. It’s taken 3 years to get them to stop charging me a block charge. There’s roughly 37 properties that are Hyde’s on this estate. Another resident, who was 2 doors down but had a different street address has been refunded all service charges for 18/19 with them being told it should not have been paid. I have been told I have had to pay.”*

**Hyde tenant (Ref SAC013)**

In the supporting information supplied by those who provided evidence for our report, it was clear in all cases that the problem affected not just the complainant, but other tenants in a block, street, or sometimes entire estate. The cases should be read as the tip of an iceberg.

**a) Possibly fraudulent charges**

Alleging fraud is a serious matter, and not something that we would do lightly. However, we are repeatedly led to this conclusion, based on the evidence supplied.

Correspondence between a SHAC member and their landlord illustrates this point powerfully. It is almost impossible not to interpret the events as fraud by a sub-contractor which has been enabled rather than challenged by the landlord.

- **Southern Housing Group (Ref MSC005)** The resident sent the following complaint to Southern:

*“An issue was raised by residents for the group to investigate which involved a concern that your contractor had billed us for items that did not appear to have been replaced. Those items were either a) replaced, in which case there should be a charge, or b) not replaced in which case there shouldn’t be a charge. There is no grey area. It is very easy to check if something has been replaced and in this case if that something is even present.*

*“The group [Southern] inspected the works and afterwards, on 2 occasions, decided that the charges were correct and reasonable. I of course challenged this as there was no sign of those items that they claim had been replaced and for which we were being charged for. I was astonished that the group thought it was reasonable to charge us for items not replaced.*

*So either the group knew the items had not been replaced and decided to charge us which is a gross failure, or, the group did not know exactly what had been replaced but decided that charges were correct and reasonable without any knowledge of what work had been carried out, also a gross failure.*

*My complaint was very clear from the start and throughout the 10 months it took to resolve, why were we being charged for items not replaced?"*

The tenant goes on to ask:

*"Why did it take 10 months to determine whether items had been replaced or not? Why did I have to keep challenging the groups position on this simple matter when the evidence was very clear that items had not been replaced? Why did your contractor attempt to charge for items not replaced? This is theft/fraud. Why did the group seem to be covering for the contractor and tried to convince me the charge was not fraudulent but that it was reasonable? Not once, but twice."*

And concludes that the whole experience has left them *"with very little confidence that your contractors are submitting the correct bills and I have no confidence in the group's ability to manage our service charge costs or deal with our complaints adequately."*

Southern eventually agreed to refund those items which they claim they replaced but didn't exist, but there was no apology despite the resident requesting one as part of the complaint.

- **Clarion Housing Group (Ref JBC007)** A communal electricity charge of £3,200 has been levied for a block of just nine flats. Clarion has failed to supply any bills to support this cost. The tenant has asked for up to date metre reading, but has only ever received estimated costs. The metre has only been read once in five years (November 2020). The tenant describes these communal electric costs as *"absolutely baffling"*, and says *"we have a timed light in the hallways that when pressed stays on for exactly 5 mins, emergency night light, dusk to dawn light out the front, and a sensor light at the rear. The only other electricity used is by the cleaner for approximately five minutes per visit. The costs do not fit the usage."*
- **Ability Housing (Ref KGC009)** The tenants have identified that supported housing costs are being levied to everyone on the estate, regardless of whether they are in supported housing or general needs accommodation.

Tenants in general needs properties are being asked to pay a charge of £9.95 per week (£517.40 per annum) for 'Intensive Housing Management'. The landlord says that it is entitled to make this charge in accordance the 2006 Rent Regulations, but appears to be applying it indiscriminately, regardless of whether the service is actually provided to the household or not.

The list of phantom services that Ability is charging for is growing. In 2019, there were just two of these. The following year, another two were added by way of communal cleaning even though Ability had already agreed that there was no communal area, and a warden call even though there is no warden.

It would be easy to gain the impression from this report that these problems only occur with the larger housing associations. However, the Hexagon case above and Housing for Women below highlight that the problems are present even in smaller landlords too.

- **Housing for Women (Ref HPC017)** The resident has engaged in a long and tedious battle with the landlord over a four-year period just to receive statements on service charges.

In 2018, the resident was informed that H4W would refund charges for the cleaning service due to having no cleaning. To date no refunds have been given, despite reminders.

Some of the charges also appear fraudulent.

For over eight years, those who wanted to park had to purchase and pay for a parking permit. However, many residents did not have cars, and therefore questioned the car parking service charge. They were told that the charge was for maintenance of the grounds. Then, the charge suddenly disappeared.

In particular, CCTV and rubbish collection have been major sources of contention. The CCTV is not functioning but residents are still being charged for it. H4W also charge specifically for refuse collection, although all collection of rubbish is carried out by the local council.

### b) Incorrectly apportioned costs

- **Clarion Housing (Ref JACRC001)** The block has 33 flats across 7 floors. The top 6th and 7th floor (18 flats) are shared-ownership leaseholders. A second block with around 20 flats neighbours this one.

Major redecoration works were announced in November 2020 with an estimated total cost of around £5,000. One of the residents received a spreadsheet with the quoted costs. However, the measurements in this quote are far higher than they should be, for example the carpet area is wrongly quoted as 755 square metres, but the block's carpeted area is actually 350 square metres.

The leasehold residents believe that not only are they being charged for their whole block but also for the neighbouring block.

There is a possible fraud here also. The tenant has been told that the tenants from the neighbouring block have had a rent increased which was attributed to the redecoration works, which suggests a duplication.

In February 2021, leaseholders received estimated service charges that show an increase from £100 to £400 per month. The majority of this is an increase for 'major works' of around £225 per month. This suggests that we could be paying this for several years, and that the total will amount to more than the suggested £5,000.

- **Hyde Housing (Ref PMC006)** A tenant had been with Hyde Housing since January 1988 and had never before paid a service charge. Their block consists of two flats. The tenant

is not a leaseholder and has not received any prior notification from Hyde about service charges.

In 2020, the tenant received a bill of £59.18 for cleaning bins and rubbish and a management charge of £52.96 for the tenant's property. Along with other items, the total service charge cost to the tenant amounts to £405.15. Hyde does not provide cleaning of bins and rubbish as the tenant lives in a street property.

**c) Above inflation increases**

The rate at which service charges (and in some cases rents where these are not restricted in law) rise is above inflation in almost all the cases reported to SHAC. Occasionally the landlord will include an explanation, for example that 'major works' are being carried out, but often not. We have set out some examples below.

- **Hyde Housing – (Ref SKC004)** Since 2018, the residents' bills have increased as follows:

Year	Rent	Service Charge	Total	Service Charge % increase on previous year
2018	£406.00	£128.00	£534.00	-
2019	£421.04	£161.27	£582.31	9.05%
2020	£433.25	£237.39	£670.64	15.17%
2021	£440.18	£347.49	£787.67	17.45%

The reasons for these vastly above-inflation increases are unexplained and have previously been challenged by residents.

- **Hyde Housing (Ref MFC008)** The case was reported by a shared ownership leaseholder who had dwelt in a Hyde Housing street property since March 2016. The initial service charges were reasonable, and the estimates provided by the landlord at the start of the year were not wildly different to the actual costs at the end of the year. However, since then, 'Management Costs' have increased as follows:

Year	Estimated Annual Charge to Leaseholder	Actual Annual Charge to Leaseholder	% Actual to Estimated Annual Service Charge Increase
2018/19	£215.40	£436.66	102.72%
2019/20	£351.60	£1,613.81	358.99%
2020/21 (Est)	£437.04	September 2021	N/A
2021/22 (Est)	£573.24	September 2022	N/A

- **One Housing Group – (Ref ESC016)** The shared ownership resident has a 40% share on a property and pays rent on the remaining 60%. Residents have had to absorb sharp hikes both in rents and service charges in some years. This includes one service charge jump of almost 70% when inflation stood at just 2.3% that year:

Year	Rent			Service Charge			CPIH Inflation *
	Rent	Change on Previous Year	% Change in Rent	Annual Service Charge	Change on Previous Year	% Change in Service Charge	
2020/21	£595.38	£28.35	4.7%	N/A	N/A	N/A	1%
2019/20	£567.03	£20.18	3.5%	£2,531.45	-£270.15	-10.67%	-1.7%
2018/19	£546.85	£23.05	4.2%	£2,801.60	£98.64	3.52%	2.3%
2017/18	£523.80	£13.80	2.6%	£2,702.96	£85.14	3.15%	2.6%
2016/17	£510.00	£8.03	1.5%	£2,617.82	£201.05	7.68%	1%
2015/16	£501.97	£12.24	2.4%	£2,416.77	£415.05	17.17%	0.4%
2014/15	£489.73	£14.73	3%	£2,001.72	-£218.06	-10.89%	-1.5%
2013/14	£475.00	£0.00	0%	£2,219.78	£1,499.79	67.56%	2.3%
2012/13	£475.00	£0.00	0%	£719.99	£0.00	0%	2.6%

The years that show a decline in service charge are as a result of sustained challenges by residents.

- **London & Quadrant (Ref LVC015)** Residents in a block of seven flats had a 444% increase in the cost of communal cleaning for the block over a seven-year period. The cost increased from £195 in 2013/14 to the most recent estimate of £1,053 for 2021/22.

**d) Double-charging**

- **Guinness Partnership (Ref JKC003)** The bill itemises 14 charges and the total bill for the block is £115,235 (2021/22). The item on the bill estimates Estate Service Costs at £63,385.

An accompanying note explains that estate service costs are “the cost of maintaining the landscape and communal areas around blocks or communal gardens where this is

*delivered by Guinness staff*". However, window cleaning, communal electricity, fly tipping removal, communal lifts, pest control services, fire safety, electrical testing, bin hire, tree works and landscaping, and water safety are also shown as separate items on the bill.

**e) Extortionate charges**

- **Hyde Housing (Ref LBC002)** A resident of a nine-apartment block received a communal electricity charge £6,983.08 for 2021/22. The previous financial year's charge in the final bill was £37.84. The resident reporting to SHAC said *"We are a very small block of just nine flats so are shocked at the high charges. We only have a small number of lights in the hallway, an intercom system and a very small electric heater in the foyer which isn't on very often so we believe that we are being overcharged for the electricity."*

**f) The need for annual challenges**

- **Hyde Housing (Ref SKC004)** In 2019/20, Hyde refunded residents £1,445.69, admitting to service charge 'errors' relating to estate and block cleaning, estate and block management, grounds maintenance, and CCTV. Nonetheless, the subsequent service charge bill was even higher than the erroneous 2019 figure.
- **Clarion Housing Group (Ref JBC007)** Communal water charges are only applicable if water is provided through a communal boiler, yet in the case of this tenant, each flat has its own boiler. The tenant and their neighbour were charged for servicing of communal water facilities, challenged it, and had this charge removed. They received a letter in November 2021 confirming that it should not have been applied.

A revised estimated bill was issued in 2021, but not only had the landlord failed to apply the refund, they had also reinstated the water hygiene management charge.

**g) Difficulties getting refunds**

- **Southern Housing Group (Ref MSC005)** A refund for an erroneous light repair cost in 2018/2019 was due to be paid in 2020 but the accounts team failed to apply the refund. On challenging this, residents were told that *"The refund per resident would not be managed outside of the normal service charge process as it would cost SHGL [Southern Housing Group Limited] more to process the refund than the value of the refund itself."*
- **One Housing Group (Ref VRC010)** Over the past 8 years, residents have had to repeatedly file complaints to the One Housing Group (OHG) about major errors in the service charge accounts. In November 2020, OHG was forced to admit that it had wrongly charged residents £18,000,

Residents believe that there were two problems. Firstly, that there were duplicated invoices for same works (fire proofing works to the riser cupboards). Secondly, the fireproofing should never have been charged to residents in the first place as fireproofing the risers is a developer's duty before residents occupy the building. They should not have been charged once for this, let alone twice.

The error was only identified after repeated lobbying by residents who spent six months demanding to know why there were duplicated invoices in their accounts, and why fireproofing works were being charged to them.

Further work was done to the risers at residents' expense in the 2020/2021 financial year. However, despite a request to see the invoices as is their legal right, OHG has refused to provide the invoices.

Most recently, three separate service charge breakdowns have been provided for 2019/2020. OHG responded to residents' questions by claiming they have found an error in the accounts, which requires a full investigation.

It transpired that One Housing Group exported and printed the wrong service charge accounts for 2019/2020 when they created the service charge booklets.

Although the errors have been confirmed, residents are yet to have the costs reimbursed.

#### **h) The escalation of fire safety charges**

Since the Grenfell fire, in 2018, there has been an increase in charges for fire safety services, and the introduction of a host of new fire safety items on service charge bills.

- **Hyde Housing (Ref PMC006)** The tenant and neighbour received a bill of £521.50 for fire safety contract servicing, and £123.96 for fire safety responsive repairs across both properties,

The tenant expressed bafflement at this charge. No new work or service is being provided. The tenant said that *"it is possible that [the charge] refers to the heat and smoke detectors installed 2 years ago. Occasionally we get an unannounced visit from a worker asking to test the battery-operated detector in the tiny communal hallway. He checks that it is still working then leaves. The whole operation lasts less than 5 minutes, yet the charge for this service is £322.76"*.

#### **i) Failure to supply service charge breakdown**

- **Hyde Housing (Ref MFC008)** In 2018, Hyde introduced changes to 'simplify' service charge calculation. This was when the first problems occurred. Hyde failed to provide full accounts for costs upon request. A complaint was made and the complainants eventually received a response from Hyde, but this didn't include a breakdown. The same failure to produce accounts has been repeated every year since.

#### **j) Inconsistent excuses**

- **Ability Housing (Ref KGC009)** The tenant found that their bill contained an amount for 'Servicing of Specialist Equipment' on their bill. This had been charged at £34.20 per annum in 2018/19, zero in 2019/20, and £39.24 in 2020/21. The charge has therefore jumped 12.8% in two years.

On being challenged to clarify what the category included, the landlord responded *"In regard to the charge under Servicing of Specialist Equipment, this is to cover the*

*servicing and maintaining of the Fire & Smoke detection equipment and is for the prevention of fire cover all of [the estate] and therefore costs for this service are charged to all tenants” [sic].*

The response does not explain if this is a new service or whether it was being provided before, and if so, whether it was incorporated under general repairs. Nor does Ability explain the missing year (2019/20).

However, the validity of this item has changed three times in as many years, as the tenant explains: *“The ‘servicing of special equipment’ has always been there. It has been explained as decorating our stairwell, then the supply of hot water (we have an electric water heater running on our electricity, never serviced) then a fire alarm.”*

#### **k) Service charges to circumvent rent controls**

- **Metropolitan Thames Valley (Ref MGC011)** The tenant lives in a property that is heated by its own air source system. A charge of £225 per annum for the servicing of the system was suddenly added to the tenant’s service charge bill in 2016. This item alone makes up over half of the tenant’s service charge bill. The charge was introduced in the same year that Government introduced a rent cap for social housing and the tenant believes that the item was added to compensate the landlord for being unable to increase rent as much as they would have liked.

### **7. Complaints to the Housing Ombudsman**

When the *Charter for Social Housing Residents: Social Housing White Paper* was published in November 2020, it included an acknowledgement by Government that tenants and residents faced structural barriers when attempting to seek redress for issues with their housing association landlords. The White Paper noted:

*“We are clear that residents should be able to raise concerns without fear and get swift and effective resolution when they do. We heard from some residents that making a complaint can be difficult and take too long – and that it can sometimes take months for the complaint to be resolved, or for the resident to be able to access the Housing Ombudsman.”*

Even when a complaint had exhausted the landlord’s own procedure, tenants and residents faced a further set of hurdles getting independent support through Ombudsman service. Government also recognised that the system has unjustifiable barriers for tenants and residents:

*“Currently, social housing residents who want to formally escalate unresolved complaints to the Housing Ombudsman face additional hurdles compared to consumers accessing other redress schemes. Residents have to raise their issue with a Member of Parliament, a local councillor or a designated tenant panel who will, if appropriate, refer it to the Housing Ombudsman (a step known as the ‘democratic filter’), or wait eight weeks from the landlord’s complaint process ending.*

*It is clear that the ‘democratic filter’ delays formal resolution of complaints and may put people off seeking redress altogether – particularly those who are vulnerable or feel less confident in navigating the process. We heard about the problems this creates for people living in social housing.”*

### The Charter for Social Housing Residents: Social Housing White Paper

The White Paper also acknowledged that too many tenants and residents were not aware of the Ombudsman service, and that when complaints were made to the organisation, they took twice as long to reach a conclusion than was considered reasonable. As a result, the White Paper recommends a series of measures to address these weaknesses and delays.

For the purposes of this report, the low level of complaints to the Ombudsman or the First Tier Tribunal (Residential Property) services should not be taken as a proxy indicator of actual levels of dissatisfaction amongst housing association tenants and residents, but rather, as indicative of the difficulties getting a case reviewed by the Ombudsman. Once again we would stress that these cases represent the tip of the iceberg.

#### 8. A Sample of Ombudsman's Findings

The Housing Ombudsman Service adjudicates on complaints about landlords (see Appendix I for more details). It has begun publishing data on its 'determinations' (findings) and the cases listed below are a sample drawn from the Ombudsman's 2019/20 dataset.

In 2019/20, the Ombudsman service received just over 16,000 complaints across all categories of landlord (housing association, council, and private).

On average, 6% of cases during this time included service charges as one of the presenting issues. Any association with service charge complaints comprising more than 6% of its total is therefore receiving more than the average percentage of complaints on this aspect.

The term 'maladministration' includes findings of 'Maladministration', 'Partial Maladministration', or 'Severe Maladministration' by the Ombudsman.

- **Metropolitan Thames Valley** - There were 220 complaints to the Ombudsman regarding MTV. Of these, 13 (6%) related to service charges in 2019/20. Although this was in line with national averages, it represented twice as many as the previous year. MTV was found guilty of maladministration in 8 of the 22 cases which had reached a conclusion during the year.
- **Hyde Housing** - There were 231 complaints to the Ombudsman regarding Hyde. Of these, 33 (14%, more than twice the national average) related to service charges in 2019/20. This figure was also double that of the previous year (15 cases in 2018/19). It was found guilty of maladministration in 13 of the 27 cases within the Ombudsman's jurisdiction which reached a conclusion during the year.
- **Guinness Partnership** - There were 113 complaints to the Ombudsman regarding Guinness. Of these, 12 (11%, almost twice the national average) related to service charges in 2019/20. This figure was also a significant jump on the previous year (7 cases in 2018/19). It was found guilty of maladministration in 8 of the 25 cases within the Ombudsman's jurisdiction which reached a conclusion during the year.
- **Clarion Housing Group** - There were 672 complaints to the Ombudsman regarding Clarion. Of these, 57 (8%) related to service charges in 2019/20, up from 45 (7%) the previous year. It was found guilty of maladministration in 53 (more than half) of the 94 cases within the

Ombudsman's jurisdiction which reached a conclusion during the year.

- **One Housing Group** - There were 103 complaints to the Ombudsman regarding One Housing. Of these, 9 (9%) related to service charges in 2019/20, up from 5 (7%) the previous year. It was found guilty of maladministration in 8 of the 18 cases within the Ombudsman's jurisdiction which reached a conclusion during the year.

The review of cases showed that the number of complaints to the Ombudsman relating to service charging is growing, and this category of complaint as a proportion of all complaints is increasing.

## **9. First-Tier Tribunal Property Chamber (Residential Property)**

A review of cases which reached the Tribunal courts supports SHAC findings on service charges. One case in particular captures a range of issues that SHAC members complain of.

In August 2020, Irwell Valley Homes attempted to pursue two tenants through the courts as they had refused to pay some of their service charges<sup>6</sup>. The two tenants defended non-payment on the basis that there was a mismatch between the bills and the actual charges in the accounts, that they had been charged for services that weren't being provided, and that when they made enquiries to establish whether the charges had been correctly calculated, they were not given appropriate information.

Further, even where documentary evidence was provided it was "*sparse and without a clear breakdown of how charges across large numbers of properties are apportioned to individual properties*". The tenants also believed that "*the variable service charge in their contract is just an income enhancement for the [landlord] to charge separately for what was formerly within the rent.*"

The judge's findings were damning, concluding that the Tribunal "*could not even make a calculated assessment of what the cost should be*" because the information provided by the landlord was poor and incomplete. The judge also criticised the landlord for "*expecting the Tribunal to do its work for it in justifying the charges levied.*"

When attempting to decide on cleaning costs, the Judge reported asking himself "*what are the annual amounts in either year for communal cleaning and window cleaning and how are they then apportioned to produce the amounts levied [by the landlord]?*". He concluded that the court "*makes so bold as to suggest it cannot tell*".

The Tribunal disallowed two years' worth of service charges for the tenants concerned, but those who paid their service charges without question are unlikely to have received rebates, nor did the court order any.

The Tribunal case review also underlines the fact that there is often very little meaningful sanction against a housing association for abuse of the service charging system. If a tenant or resident successfully clears all the hurdles and manages to get a case listed in court, the association can just admit the error and promise to repay the 'erroneous' charge.

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<sup>6</sup> Case Reference : MAN/00BU/LSC/2019/0096  
[https://assets.publishing.service.gov.uk/media/5f9fdd13e90e07041299b9b776\\_Lingfield\\_Road.pdf](https://assets.publishing.service.gov.uk/media/5f9fdd13e90e07041299b9b776_Lingfield_Road.pdf)

In a second case, this time against Clarion Housing Group in 2021<sup>7</sup>, the landlord did exactly that, accepting that “charges for Rubbish clearance, Fire protection, Playground maintenance, Aerial maintenance and Estate refuse collection should not have been made” and promised that “the resultant costs have been adjusted”, although this adjustment might only have been applied to the complainant, and not the whole estate.

Clarion appears to make a habit of waiting to see whether the tenant manages to get all the way to Tribunal before admitting an error. In a previous case listed in 2019<sup>8</sup>, Clarion had already been taken to Tribunal on a number of service charge issues, including an attempt to increase the management fee from £75 per annum to £185 per annum. However, prior to the hearing Clarion acknowledged its ‘error’ and reduced the fee down to the original amount.

It is not just erroneous charges but extortionate costs that reach the courts, and occasionally a combination of both. In the case of Navigation Court leaseholders v One Housing Group<sup>9</sup> from 2014, the court found that *electricity and employment costs were arbitrary, disproportionate and or unreasonably high; and services such as security, CCTV, landscaping and garden maintenance were not delivered*”.

These cases support SHAC’s findings, and underscore the arrogance of landlords, who appear unconcerned with ensuring that their charges to tenants and residents are accurate and justifiable, even when ordered to do so in a court of law.

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<sup>7</sup> Case Reference: CHI/00MS/LSC/2020/0048  
[https://assets.publishing.service.gov.uk/media/603691448fa8f5480e38baec/17\\_Feb\\_2021\\_46\\_Redcote\\_Close\\_Southampton\\_S27A.pdf](https://assets.publishing.service.gov.uk/media/603691448fa8f5480e38baec/17_Feb_2021_46_Redcote_Close_Southampton_S27A.pdf)

<sup>8</sup> Case Reference: BIR/00CN/LIS/2018/0066  
[https://assets.publishing.service.gov.uk/media/5ca6059ded915d0c562b4fc7/B192NR\\_BIR\\_00CN\\_LIS\\_2018\\_0066\\_decision.pdf](https://assets.publishing.service.gov.uk/media/5ca6059ded915d0c562b4fc7/B192NR_BIR_00CN_LIS_2018_0066_decision.pdf)

<sup>9</sup> Case Reference: UT Neutral citation number: [2014] UKUT 0330 (LC) / UTLC Case Number: LRX/79/2013  
<https://www.casemine.com/judgement/uk/5a8ff85e60d03e7f57ebedf8>

## SECTION THREE: SUMMARY AND CONCLUSION

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### 10. Conclusion

This report has identified serious failings by housing association landlords relating to service charges:

- Invoices or bills not provided within a reasonable timescale, and in some cases not at all;
- Incorrectly apportioned costs;
- Extortionate charges;
- Service charge increases vastly outstripping inflation;
- Charges for services which have not (and in some cases could not) be delivered;
- Charges for intensive housing management applied to general needs properties;
- Errors addressed in one year reappearing the next;
- No refunds for errors even when the error is admitted; and
- Promised refunds never processed.

The evidence provided shows that addressing these issues can no longer be considered a matter for individual tenants and residents. The problems are systemic, widespread, and persistent. The mechanisms for addressing the problems individually or even at estate level are wholly inadequate.

There needs to be high level action taken to end the abuse of service charging. There must be stronger legislation to protect tenants and residents, and greater access to justice without unnecessary barriers. Regulatory and remedial institutions need to have greater power to force changes in recording systems to make sure that they are transparent, as well as issuing rapid refunds where errors are identified.

We plan to use this report to help achieve these changes.

## APPENDIX: SOURCES

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- **Casemine**

UK Case Law Mapping Service <https://www.casemine.com/>

- **First Tier Tribunal (Residential Property)**

A specialised court handling applications, appeals and references relating to disputes over property and land. <https://www.gov.uk/courts-tribunals/first-tier-tribunal-property-chamber>

- **First Tier Tribunal (Residential Property) decisions**

<https://www.gov.uk/residential-property-tribunal-decisions>

- **Housing Ombudsman**

Set up by law to look at complaints against landlords registered with the scheme. Registration is compulsory for social landlords (primarily housing associations who are or have been registered with the Regulator of Social Housing) and local authorities. Some private landlords have also registered on a voluntary basis. <https://www.housing-ombudsman.org.uk/>

- **Housing Ombudsman's determinations on individual landlords**

<https://www.housing-ombudsman.org.uk/landlords/>

- **Housing Quality Network**

Set up in 1997 to help organisations respond to the challenges of compulsory competitive tendering. Now focusing on changing needs within the housing sector. <https://hqnetwork.co.uk/>

- **Regulator of Social Housing**

The Regulator of Social Housing regulates registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. It is an executive non-departmental public body, sponsored by the Ministry of Housing, Communities & Local Government.

- **Regulator of Social Housing Global Accounts**

<https://www.gov.uk/government/publications/2019-global-accounts-of-private-registered-providers>