



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities
Department for Levelling Up, Housing and Communities
2 Marsham Street
London
SW1P 4DF

10 April 2024

Dear Michael,

We are writing to raise concerns about the widespread misuse of service charges within social housing.

Evidence collected by Social Housing Action Campaign (SHAC) and their campaign partners, Find Others, demonstrates that almost all service charge accounts are riddled with inaccuracies and almost all result in overcharging rather than undercharging. Sometimes the housing association benefits, sometimes it is a sub-contractor.

SHAC has been gathering evidence of this form of abuse through surveys and through working with partners, Find Others.

Their evidence bundle has been presented to the Regulator of Social Housing, the National Audit Office, and Baroness Scott of the Department of Levelling Up, Housing and Communities. SHAC has attempted to engage with the Charity Commission, police, and Serious Fraud Office. While these approaches have resulted in an acknowledgement that a problem exists, there has been no tangible action to end service charge abuse.

Analysis of data collected by the campaign identified £2 million overcharging across the first 27 complaints received. The scale of the abuse is staggering.

This scandal also represents a new form of benefit fraud. Around 1 million housing association households receive benefit payments towards service charges which are wholly unscrutinised.

Government proposals for leasehold reform fail to address the overcharging at source and only provide protections to leaseholders and shared owners, not the hundreds of thousands of tenants who also pay a separate service charge.

Tenants and residents need support to tackle inaccurate and unjustified service charge rises across the UK.

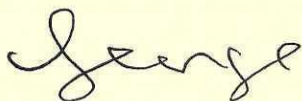
We are seeking the following urgent action to address issues relating to service charge abuse:

1. A regulator for service charges, with a remit to investigate complaints from leaseholders, shared owners, and private, housing association, or council tenants.
2. Consultation with tenants, shared owners, and leaseholders, and their representative organisations, on reforms to tighten controls over service charges.
3. Legal protection for those who withhold payment of a disputed element of their service charge pending a satisfactory resolution of their complaint.
4. Government instruction to landlords on which items can be charged to tenants and residents. For tenants, a list should be produced itemising what is included in rents as standard and cannot therefore be levied as a separate service charge.
5. Legal entitlement for all to receive statements of service charges and a right to view invoices, including rights for tenants. Currently only shared owners and leaseholders have this right under Section 21 and Section 22 of the Landlord and Tenant Act.
6. A properly funded Legal Aid budget specifically for service charge issues available to tenants and residents who cannot afford to pay for a solicitor. Housing associations should be made to cover the cost from their £4.4 billion sector-wide surplus.

More detailed measures can be found in the appendix to this letter.

We would be grateful for a meeting to discuss this issue further.

Yours sincerely,



Sir George Howarth MP

Supported by:

1. Afzal Khan MP (Manchester, Gorton)
2. Alex Sobel MP (Leeds North West)
3. Apsana Begum MP (Poplar and Limehouse)
4. Bell Ribeiro-Addy MP (Streatham)
5. Ben Lake MP (Ceredigion)
6. Caroline Lucas MP (Brighton, Pavilion)
7. Caroline Nokes MP (Romsey and Southampton North)

8. Charlotte Nichols MP (Warrington North)
9. Claudia Webbe MP (Leicester East)
10. Clive Efford MP (Eltham)
11. Dan Carden MP (Liverpool, Walton)
12. Debbie Abrahams MP (Oldham East and Saddleworth)
13. Diane Abbott MP (Hackney North and Stoke Newington)
14. Ian Byrne MP (Liverpool, West Derby)
15. Jeremy Corbyn MP (Islington North)
16. Jess Phillips MP (Birmingham, Yardley)
17. John McDonnell MP (Hayes and Harlington)
18. John Spellar MP (Warley)
19. Jon Cruddas MP (Dagenham and Rainham)
20. Kate Hollern MP (Blackburn)
21. Kim Johnson MP (Liverpool, Riverside)
22. Lloyd Russell-Moyle MP (Brighton, Kemptown)
23. Margaret Hodge MP (Barking)
24. Marsha De Cordova MP (Battersea)
25. Mary Kelly Foy MP (City of Durham)
26. Mick Whitley MP (Birkenhead)
27. Mohammad Yasin MP (Bedford)
28. Neil Coyle MP (Bermondsey and Old Southwark)
29. Paula Barker MP (Liverpool, Wavertree)
30. Peter Dowd MP (Bootle)
31. Sammy Wilson MP (East Antrim)
32. Sharon Hodgson MP (Washington and Sunderland West)
33. Siobhain McDonagh MP (Mitcham and Morden)
34. Virendra Sharma MP (Ealing, Southall)

Appendix

1. Priority Strategic Actions

- 1.1. A regulator for service charges, with a remit to investigate complaints from leaseholders, shared owners, and private, housing association, or council tenants.
- 1.2. Consultation with tenants, shared owners, and leaseholders, and their representative organisations, over reforms to tighten controls over service charges.
- 1.3. Legal protection for those who withhold payment of a disputed element of their service charge pending a satisfactory resolution of their complaint.

- 1.4. Government instruction to landlords on which items can be charged to tenants and residents. For tenants, a list should be produced itemising what is included in rents as standard and cannot therefore be levied as a separate service charge.
- 1.5. Legal entitlement for all to receive statements of service charges and a right to view invoices, including rights for tenants. Currently only shared owners and leaseholders have this right under Section 21 and Section 22 of the Landlord and Tenant Act.
- 1.6. A properly funded Legal Aid budget specifically for service charge issues available to tenants and residents who cannot afford to pay for a solicitor. Housing associations should be made to cover the cost from their £4.4 billion sector-wide surplus.

2. Additional Points

2.1. Controls

- 2.1.1. Service charges capped at CPI inflation.
- 2.1.2. Legislation to clearly distinguish between services which are included in rents and those which can be billed separately through service charges. Costs relating to standard maintenance of buildings should not be billable. These would include fire, gas, and water safety activity for example.
- 2.1.3. A legal requirement for all service charge accounts to be audited every year by independent accountants, before the bill is sent out to tenants. This should be paid for by the HAs.
- 2.1.4. Democratic control by tenants and residents when procuring goods or services from suppliers.
- 2.1.5. The right for tenants and residents to trigger a forensic audit of their service charges if a landlord provides inaccurate service charge bills.
- 2.1.6. An end to management fees based on a percentage of sub-contractor charges.
- 2.1.7. A mandatory requirement to pass on efficiency savings to tenants and residents when supplier costs reduce.
- 2.1.8. A 'National Schedule of Rates for Works' to set the chargeable rates for common services such as cleaning, changing lightbulbs, insurance, and waste removal.

2.2. Regulation

- 2.2.1. The regulator to have more stringent penalties for landlords and managing agents who do not comply with legal requirements, including criminal

- 2.2.2. prosecution and meaningful financial penalties such as exclusion from bidding for Affordable Housing Programme grants.
- 2.2.3. Mandatory reporting through regulatory returns on overcharging and undercharging errors.
- 2.2.4. Automatic reporting to the regulatory body when overcharging exceeds a certain level.
- 2.2.5. Automatic compensation to tenants and residents (beyond like-for-like refunds) when overcharging occurs.
- 2.2.6. Automatic compensation to tenants and residents when landlords are slow to reimburse tenants after overcharging.
- 2.2.7. Set timescales for refunds to be managed by the regulator which then recoups the funds from the housing association.

2.3. Information

- 2.3.1. For housing associations to be included within the remit of the Freedom of Information Act (rather than a separate Act which is less prescriptive), and to fall under the control of the Information Commissioner's Office.
- 2.3.2. To give all the right to have the invoices and supporting documents sent on request rather than having to visit the landlord's office to inspect them.
- 2.3.3. Mandatory itemised billing with supplier receipts in a standard format to make scrutiny of accounts easier.