The Property Institute

Strengthening leaseholder protections over charges and services: Summary of TPI's response to the Government Consultation

Overview

On 4 July 2025, the Ministry of Housing, Communities and Local Government (MHCLG), in partnership with the Welsh Government, launched a wide-ranging consultation on implementing the Leasehold and Freehold Reform Act 2024 (LAFRA) and further proposals to strengthen protections for leaseholders across England and Wales, including mandatory qualifications for property managers and mandatory membership of a designated professional body, as a first step in strengthening regulation of the property management profession. This consultation forms part of the Government's wider programme to reform leasehold and commonhold.

The Property Institute (TPI) welcomes the Government's proposals, which represent a significant step towards raising professional standards, improving transparency, and strengthening leaseholder protections. For many years, TPI, and its predecessor bodies, has called for stronger leaseholder protections and regulation of the property management sector and remains committed to supporting Government in delivering these reforms.

TPI is the leading provider of property management qualifications and professional body for property managers and managing agent firms. With around 350 firms and 7,000 individual members, TPI's members collectively manage over 1.6 million homes across England and Wales. We have engaged with many members and drawn on our extensive sector experience and expertise in preparing our response to this consultation.

We believe that mandatory qualifications will help to raise standards of property managers, build trust and improve leaseholders' experience of living in a shared building. However, qualifications alone are not enough; regulation of the sector is needed to prevent poor practice and ensure agents who should not be managing buildings are prevented from doing so.

This consultation proposes a crucial first step to regulation: mandatory membership of a designated professional body for both individual property managers and managing agent firms. This would mean they must abide by a code of practice or face disciplinary procedures for non-compliance. We strongly support this proposal and stand ready to support the Government to implement and enforce these measures in the years to come.

Chapter 2: Driving up transparency of fees and charges

Chapter 2 of the consultation asks about how various aspects of the Leasehold and Freehold Reform Act 2024 should be implemented. These are measures designed to strengthen transparency of the fees and charges leaseholders face, improve access to information, and rebalance the litigation costs regime.

TPI supports these measures, having pushed for transparency and standardisation of leaseholder information across the sector for a number of years, however, we have several comments designed to strengthen how these measures work in practice – so that they can be implemented effectively and without unnecessary cost burdens on leaseholders. At times, we feel the government's suggested templates are over-simplistic and could in fact reduce transparency for leaseholders. We are clear that the new measures must work in the context of a very wide range of building types.

Some of the key points we have raised with government about the measures in this chapter in our consultation response are:

Annual reports (Q18-Q23)

- TPI supports the principle of an annual report as a means to provide leaseholders with clearer, more accessible information on their building and charges. However, the suggested template needs further work, to allow for a wider range of buildings and scenarios.
- The contact details section needs greater flexibility to allow for more complex structures and should give leaseholders clarity on their first point of contact. There may also be GDPR concerns about requiring contact details for resident association chairs.
- The way that major works is presented on the annual report is problematic and needs revisiting, as it requires information that may not be known and risks creating significant confusion.
- A managing agent should not be required to include information that are the preserve of the freeholder, and which the freeholder is under no duty to share with their agent, e.g. on claims and litigation (Part 2 Other Information).
- We suggest that the annual report requires information on how client money is looked after e.g. the name and address of the bank, the bank account in which funds are held, and whether they are interest-bearing.
- We also suggest it includes signposting to the Government's 'How to Lease' guide so leaseholders can find out useful information and sources of support when they need it.

New standardised service charge demand form (Q24-Q35)

- TPI supports a standardised service charge demand form to give leaseholders clearer information on building management and maintenance costs. However, we have concerns that compressing detailed budgets into the proposed headings could reduce transparency and increase costs. Agents should be allowed flexibility to provide additional detail where this will increase transparency.
- The form could be more informative for leaseholders by explaining how charges are calculated; whether they are paid in advance or arrears; and referencing the lease for further detail. Listing on the form the number of properties in a block would be misleading, as it does not reflect how costs are apportioned.
- Updated budgets should not be required to be sent out with interim demand forms. Budget updates take a huge amount of work, with associated cost burdens, and are not necessary for these forms (which can be quarterly in frequency).
- The legislation misses an opportunity to modernise service charge delivery via electronic serving, which could improve accessibility and reduce costs. TPI also

considers an 18-month transition period more suitable than the proposed 12-month period, given that service charges have a 12 month cycle.

A new notice of future service charge demands (Q36-Q38)

- TPI supports the Government standardising Section 20B(2) notices but believes the current example form is insufficient. We recommend working with the sector to produce a more effective version.
- The form should include more narrative explaining why it is being served, the legislative context, and a layman-friendly explanation that service charge expenditure has been incurred, precise figures are not yet available, and when they will be provided.
- The notice should be strictly limited to s20b(2) circumstances, as extending it to other future demands is confusing; major works are already addressed in the annual report.

Extended rights to obtain information on request (Q39-Q46)

- TPI supports the principle of extending leaseholders' rights to access information. However, we have concerns that the 28-day timeframe may be too short in some cases, especially for information going back six years and where agents have changed during this period. There could also be cost implications, where the information is time-consuming to access. To reduce this burden, we suggest:
    - Leaseholders should provide a reason for their request.
    - The timeframe should be extended to a three-month period. This would avoid the need for the government's proposed additional 7 days when there is a third party involved and would be simpler to follow.
    - Requests should be made in writing or by email, with information provided electronically or in print.

New duty to publish administration charge schedules (Q51-Q53)

- TPI supports the principle of having an administration charge schedule. However, a prescribed form may be unhelpful, creating blank fields, unrealistic leaseholder expectations, and challenges in keeping it updated (especially for fees which are determined by third parties). Instead, the MHCLG form could be published as an example, with accompanying guidance, similar to the approach in Scotland for property factoring.
- We suggest the schedule be incorporated into the annual report rather than updated more frequently, while maintaining an obligation to provide specific charges on request.

Better information about insurance (Q54-Q69)

- TPI supports most of the proposed measures on insurance information. Our primary concern is to ensure that these requirements do not duplicate or conflict with FCA obligations for regulated firms.
- We welcome a standard template, the proposed 30-day timeline for providing information, and the option to use email. However, we believe the suggested three-month implementation period is too short and that at least 12 months is needed to adapt systems and train staff.

New standardised service charge accounts (Q70-Q88)

- TPI supports standardised service charge accounts to improve transparency for leaseholders. However, requiring a balance sheet per schedule and a statement of collection deficits may be unnecessary, confusing, and raise GDPR concerns. We recommend a single balance sheet for the development, with income and expenditure accounts per schedule.
- Accounts should build on Tech 03/11 and include standardised cost codes to aid comparability, while recognising the specialist nature of service charge accounting through appropriate training and qualifications for accountants.
- A phased implementation with an 18-24 month transition is essential to allow landlords and managing agents to adjust systems, train staff, and adopt new reporting requirements without undue disruption or cost.

Rebalancing the litigation costs regime (Q89-Q115)

- We have concerns about the proposals on litigation costs, as we believe it could make debts and other breaches of lease covenants harder to enforce, leaving most leaseholders worse off financially and from the quiet enjoyment of their homes.
- We suggest an alternative approach of giving the Tribunal powers to make an order under Section 20C to benefit *all* leaseholders, rather than just those leaseholders who proactively apply for such order, to afford all leaseholders additional protections and leave the decision as to whether such order should be made to the expertise of the Tribunal, who can determine whether it is just and equitable.
- If s62 proceeds, we support exemptions for undefended debt claims, anti-social behaviour and dispensation claims, cases benefiting resident-led organisations, situations with managers appointed under s24, and building safety related cases.
- We recommend a transition period of 12 months to accommodate existing cases, the 12-month service charge cycle, and service charges paid in arrears.

Chapter 3. New proposed reforms of the major works regime

Chapter 3 of the consultation asks about new proposals in relation to major works, including reserve funds, asset management plans, and qualifying long term agreements (QLTAs). It also asks about measures to protect leaseholders' money, protections for leaseholders paying fixed service charges, and powers to appoint or replace a managing agent – as well as how information and services can be provided digitally.

TPI strongly supports the majority of these measures. Reserve funds are crucial for the long-term maintenance of buildings and to reduce the need for large, unexpected charges to leaseholders for major works. TPI supports mandatory reserve funds and asset management plans, as well as the increased use of digitalisation, which often enables leaseholders to receive information more quickly and with lower administration costs.

The area we have most concerns about in this chapter is giving leaseholders new powers to switch or veto a managing agent. Leaseholders already have powers to appoint a manager under Section 24 of the Landlord and Tenant Act 1987, and powers to take over the Right to Manage. We suggest an alternative proposal of extending existing

rights of Recognised Tenants' Associations to be consulted on a change of managing agent.

Our key points on the proposals included in this chapter are as follows:

Reserve Funds and Asset Management Plans (Q116-127)

- TPI supports legislation mandating reserve funds for both existing and new leases, recognising that there may be legal complexities in some existing leases. Voluntary funds are unlikely to be widely adopted, as leaseholders rarely contribute without compulsion. Mandatory reserve funds encourage long-term financial planning, reduce sudden, unmanageable bills, and help maintain building safety. For new leases, they prevent developers from omitting funds to keep initial service charges low for sales purposes.
- We support the proposal to mandate Asset Management Plans (AMPs) for new and existing leases to enable long-term planning, prioritisation of works, and accurate budgeting. However, we have expressed that AMPs should be clear and accessible to leaseholders, with concise annual report summaries and detailed digital information available on request. We also believe that surveyor sign-off should be used for complex plans, and not all plans, since this places additional costs on leaseholders and may be disproportionate in some cases. We recommend a transition period of at least 24 months to allow for budgeting, professional capacity, and integration for smaller providers.

Thresholds (Q128)

- TPI does not support the proposed static thresholds of £600 for major works and £300 for QLTAs, as they will quickly become outdated. We propose index-linked thresholds - major works tied to the Construction Output Price Index (COPI) and QLTAs to CPI or a relevant sector-specific index - with periodic reviews. This approach better reflects real-world costs, avoids disproportionate consultation requirements, and reduces the need for frequent legislative updates.
- In addition, we suggest that different thresholds be used for buildings according to number of units and complexity, to improve fairness and proportionality.

Exemptions (Q129-131)

- TPI agrees that energy and other utility contracts, including single energy providers, can be exempted from the Section 20 consultation process if they meet the criteria in paragraph 234. We do not consider a separate notification mechanism is necessary for costs relating to activities taken out of Section 20, as these are already included in year-end accounts and partially in the annual report.

Qualifying Long Term Agreements (Q132-135)

- TPI understands from members that Qualifying Long Term Agreement (QLTA) consultations are often resource-intensive and generate limited leaseholder engagement. They can also be used to retain the same supplier without competitive tendering, which undermines accountability and trust.
- To improve these arrangements, we recommend greater transparency and stronger safeguards, including mandatory disclosure of any connected relationships, digital-by-default notices where agreed, and consultation

materials showing all bidders, reasons for selection, and any related parties. Tendering rules should require at least one independent bid, with a disclosure register recording all QLTAs, providers, relationships, and consultation dates. Clear guidance is needed to help leaseholders understand their rights.
- TPI supports using standardised, digital consultation forms and shorter consultation periods to speed up the process, while recognising that deadlines for works should allow flexibility for circumstances beyond the control of landlords or managing agents.

Dispensation arrangements (Q138–139)
- TPI supports the plans for reforming the existing dispensation arrangements; however, we recommend allowing a streamlined process for emergencies, with agreed timelines and conditions embedded in leaseholder agreements. We also advise that a 'majority dispensation' should require a simple majority (over 50%) rather than 85–90% of leaseholders.

Protecting leaseholders' money (Q144–145)
- TPI is concerned that existing protections do not consistently safeguard leaseholder funds. Transfers between managing agents are often delayed or disputed, leaving developments underfunded. We support the enactment of Section 42A of the Landlord and Tenant Act 1987 (inserted by the 2002 Act) which anticipates designated accounts for each group of payers, which would protect against co-mingling and misallocation of funds.
- We support strengthening consumer protection through the following measures:
    - Segregated, per-development client accounts (virtual sub-accounts allowed where equivalent safeguards exist).
    - Mandatory monthly reconciliations, overseen by an accountable person.
    - 'Best endeavours' duty to notify banks of trust status.
    - Statutory handover standards with timely transfer of funds and reconciled records.
    - A Financial Conduct Authority (FCA) obligation on banks to deal with a new managing agent following the switching of agents.
    - Clear balance sheet treatment, showing cash held on trust, creditors, and debtors.
    - Enforceable transfer of funds and rights to pursue arrears for RTM, self-managed, and commonhold transitions.

Powers to appoint or replace a managing agent (Q149–154)
- Section 24 is intended for serious mismanagement, not routine agent changes. It appoints an individual rather than a managing agent firm, which can be challenging for large blocks, and the process can be slow and disruptive. We therefore believe it should focus on genuine mismanagement rather than minor or cost-driven disputes.
- To improve the process under Sections 21–24, clear criteria for dissatisfaction should be set, guidance provided on when management changes are appropriate, application frequency limited, integration ensured with mechanisms like the Right to Manage, a preliminary assessment introduced to

filter inappropriate applications, and alternative dispute resolution encouraged before tribunal proceedings.

- TPI does not support a general leaseholder veto or right to force a managing agent change as proposed. It does not seem right that the entity with the legal responsibility for ensuring the building is adequately maintained does not have the power to select an agent they deem as most suitable for the building. Leaseholders already have powers to appoint a new manager where there is fault, under Section 24, and rights to take over the management of their building where there is no fault, under the Right to Manage. Broad veto powers risk cost-driven decisions, destabilising management, delaying compliance, and increasing costs, particularly when issues stem from landlord instructions.
- We suggest instead that consultation rights already held by Recognised Tenant Associations (RTAs) when a new agent is being appointed are strengthened. Currently, although there is a right to be consulted, that is where it ends. This right could be added to, for example by requiring the landlord to "have due regard" for the views expressed by the RTA.
- If government decides to proceed with these proposals, any rights should be evidence-based, infrequent, include a significant voting threshold, allow for a landlord response, and prevent gaps in the management of a building.

Providing information and services digitally (Q155-157)

- TPI supports the proposals for wider electronic communication for speed, accessibility, and cost savings. Adoption could be enabled through legal changes, national digital standards, Land Registry integration, and guidance on best practice. Safeguards should protect choice and accessibility, including confirmed preferences, proof of service, and alerts for uploaded documents.

Chapter 4. Qualifications of managing agents

Chapter 4 asks questions about the government's plans to introduce mandatory qualifications for property managers, and how the measures will be enforced. They propose three options for enforcement, while expressing a preference for option 1: to require membership of a 'designated professional body' for both individuals and firms.

TPI is pleased to be named in the consultation as a potential designated professional body, alongside the Royal Institute of Chartered Surveyors (RICS). TPI stands ready to support the government in the implementation of these proposals, if they choose this option, which we strongly support.

Key points that we have raised in our response to chapter 4 are as follows:

Accountability for gaining qualifications (Q158-160)

- TPI agrees with the Government's proposals that individual managing agents should be accountable for gaining qualifications, and also that managing agent firms should be responsible for ensuring their employees hold the required qualifications.

Level of qualifications (Q161-164)

- TPI agrees that Level 4 should be the minimum qualification for property managers in most cases. We describe a property manager as the primary day-to-day decision-maker and/or operational lead for a particular development.
- We believe Level 3 is more appropriate for junior staff who undertake many of the same functions as a property manager, but who are not themselves the operational lead for a development and work under the supervision of a Level 4 qualified property manager.
- Level 5 qualifications would be appropriate for those who make strategic company policy decisions on behalf of the managing agent that directly affect management of the buildings in the company portfolio.
- The definitions of who falls within scope of the qualification requirements must be carefully considered, to avoid ancillary/support staff roles being included who are not decision-makers or who do not undertake property management functions. Requiring qualifications for back-office staff would make recruitment and retention in the sector difficult, as well as risking unnecessary costs for leaseholders.
- It must be possible in future for staff to be hired either already holding the relevant qualification or working towards it on starting the role (training 'on the job'). Otherwise, attracting workers into the sector and having sufficient numbers to manage buildings could be a challenge.
- Consideration should be given to a 'de minimis' level for the proposals, e.g. for house conversions of 3 or 4 flats which are self-managed, and also to whether self-managing RMCs or RTMs fall within scope.

Course content and qualification providers (Q165-167)

- We believe that the qualifications we offer at TPI, which have been developed and offered over many years, provide property managers with the requisite skills and knowledge to perform effectively. Our qualifications are Ofqual-regulated and cover the TPI 4 Elements of Professionalism, namely: technical, health and safety, customer, and ethics. We are ready to offer these qualifications widely across the sector to any and all property managers across England and Wales.
- The syllabus for qualifications under the new proposals should be agreed jointly between all Designated Professional Bodies to ensure consistency, through a consultative process involving a range of stakeholders including redress schemes, judiciary, consumers, practitioners and government officials. It should be formally reviewed every three years. Course learning materials, on the other hand, should be updated far more regularly to ensure they reflect the latest legislation and emerging issues.

Continuing professional development (Q168-169)

- TPI agrees with the proposal that government should require property managers to complete CPD, as it is essential to ensure individuals remain up to date in their knowledge and skills. TPI currently requires members to undertake 15 hours of relevant CPD each year. The amount of CPD should be standardised across all designated professional bodies.

Implementation and Enforcement (Q170-176)

- We strongly support the government's proposal, 'Option 1', to require all individual property managers, and all managing agent firms, to become members of a designated professional body. Membership would not only allow

for the qualifications requirements to be enforced but would mean that members must comply with a Code of Practice and would be subject to robust disciplinary processes if they fail to comply. This would help improve standards and professionalism across the sector.

- We greatly welcome the government's reference to TPI as a potential designated professional body and stand ready and willing to fulfil this role. With over 7,000 individual property managers and around 350 managing agent firms already in membership, we are well placed to act in this capacity.
- The requirement for mandatory membership of a designated professional body should also include housing associations and their property managers who manage leasehold stock. A 'Memorandum of Understanding' between the Regulator of Social Housing and the designated professional bodies would be needed to ensure there is no duplication or gaps in regulation.

Transition Arrangements (Q183-185)

- TPI considers the appropriate transition arrangements for qualifications to be 2 years from when the legislation is passed for Level 3; 3 years for Level 4; and 4 years for Level 5.
- We believe that, for each level, by the end of the transition period a person should be qualified or have made 'significant progress' towards completing their qualification, as opposed to the consultation's suggestion that they should be qualified or 'working towards' a qualification. The latter would allow people to wait until the end of the transition period before signing up for a course, and improvements in the sector will be too slow.
- For joining a designated professional body, we believe the proposed transition periods are too long. We believe the period should be 12 months, rather than the proposed 36 months. Joining a designated professional body is a relatively swift process and once joined a member will be subject to the compliance and disciplinary procedures. Standards in the sector should therefore improve faster with a shorter transition period.

Grandparenting (Q186-188)

- We agree with the government's proposals for grandparenting, which mean that where property managers have already undertaken relevant qualifications to the required level for their role, this will count as the required qualification.
- Where these qualifications were taken some time ago, before they were Ofqual-regulated, these should also be acceptable. This will avoid experienced and qualified property managers who may be approaching the end of their career from exiting the industry or retiring early to avoid the new requirements.