

## WELCOME TO ISSUE 6

It seems official – Residentsline has hit "critical mass." Not only are we receiving many compliments about how useful readers find the publication (much appreciated – please keep them rolling in – ed!) but we are also receiving letters which highlight areas which need further exploration or explanation – and that helps us to make sure that Residentsline continues to be relevant to anyone responsible for managing a residential property.

We are also receiving excellent contributions from many associations and companies who have a particular interest in the areas which we cover. It all adds up to a healthy 'in tray' and means that we are already holding over articles for the next issue (Incidentally, if you want to review past articles you will find them on our website: [www.residentsline.co.uk](http://www.residentsline.co.uk)).

In Issue 6 you will find some weighty articles on cracks (appearing in buildings) – and some rather surprising news on the need to officially inform residents of matters relating to service charges. There's also an update on the Leasehold Reform Act as well as an explanation on why you will be asked to pay an additional sum if you wish to take out terrorism insurance. We hope you find it a good read.

Editor.

## Higher standards for the insurance industry

We are all already inundated with abbreviations and initials and from January 2005 the insurance industry will experience a move from GISC to FSA – but this will herald a massive upheaval when its regulatory body changes from the General Insurance Standards Council which operates on a voluntary basis setting standards for solvency procedures, education, and complaints to the auspices

of the Financial Services Authority - which is a statutory body.

The result will be even higher standards backed by the force of law which may well lead to many smaller intermediaries closing their businesses. Reassuringly for customers, though, it should also ensure an even more professional and secure service in the future from all advisers on insurance matters.

## Part of the family

This issue, Residentsline has come a little closer to home to feature one of the many buildings of architectural or historical interest which we insure.

Elmsdale Hall near Wolverhampton is a splendid Queen Anne building which has been sympathetically converted to executive apartments.

If you would like Residentsline to feature 'your' property please drop us a line.

*Photograph courtesy of Thomas Skidmore, Chartered Surveyors.*



## Looking at the small print

**R**esidentsline is rightly proud of the fact that together with Norwich Union, it has developed an insurance policy specifically for residential management companies.

You would expect us to say that our premiums are competitive and you would probably expect us to say that we provide

more extensive cover than most other policies in the market place.

But now we are making it even easier for you to put our claims to the test.

Not only is Residentsline more than happy to forward a quotation so that you can compare costs, but we will even take the leg work out of doing a like for like comparison. If you send details of your

current policy we will go through the small print and highlight those areas where Residentsline can offer improved cover. There will be no hard sell, we will simply point out the benefits of moving to Residentsline and then sit back and let you make the comparisons. Nowadays transferring cover is easy so what have you got to lose?

# Why do buildings crack and when should you become concerned?

I was pleased when Residentsline asked me to write this article. I work within Crawford's National Subsidence Unit and I often find that minor cracking is the cause of very real, but often unnecessary concern. Hopefully I can offer some guidance about the causes of cracking and when it's sensible to get professional help.

Although it is difficult to appreciate, buildings move around for a variety of reasons and the majority of these are not serious at all. The Building Research Establishment undertook an extensive survey of building defects and found that less than 20 % were related to strength or stability. So hopefully if you spot a crack, the chances are it's nothing to worry about.

When you do find a crack measure the width (don't be shy about using a ruler - I don't know anyone who can estimate crack widths accurately) also don't worry about how long the crack is or how many courses of brickwork it might pass through (the crack length is rarely of importance unless it is a very localised feature). The following table based upon BRE guidelines helps to classify the damage:

Crack Width (mm)	Category	Classification
Less than 2mm	Very slight	Aesthetic
2mm to 5mm	Slight	Aesthetic
5mm to 15mm	Moderate	Serviceability
15mm to 25mm	Severe	Serviceability
Over 25mm	Very severe	Stability

Cracking which is Aesthetic purely affects the appearance and whilst it might be unsightly it has no effect on the structural integrity. By contrast, damage within the Serviceability category might affect the weathertightness or could result in damage to service pipes (e.g. gas or water main may suffer damage). Only cracking beyond 25 mm (or an inch for those non-metric people amongst us) would start to affect the stability. This is good news because it means that buildings can move an incredible amount before they start to become remotely dangerous.

So to try and give some advice about the more common forms of cracking:

## Thermal Movement



Thermal cracking, either expansion or shrinkage, is often characterised by vertical cracks with a relatively constant width, usually less than 2mm wide. The cracks often form at the junction of extensions or at the joint

between different materials (for example solid walls and stud partitions). Externally, the cracks can form at the mid-point of the wall or more often near the end returns because wall ties tend to restrain cavity walls.



## Lintel Failure



Lintel failure allows a triangular section of brickwork above the window to drop down.

Often it happens when old metal frame windows are replaced with new upvc windows.

## Loading

Loading from beams or purlins without supporting padstones can cause cracking because the loading creates additional shear stresses. Although unsightly it is seldom a serious problem.



## Subsidence or Heave

Buildings subside when the foundations lose support, this can happen when trees take moisture from clay soils causing the soil to shrink or leaking drains soften or erode the sub-soil.

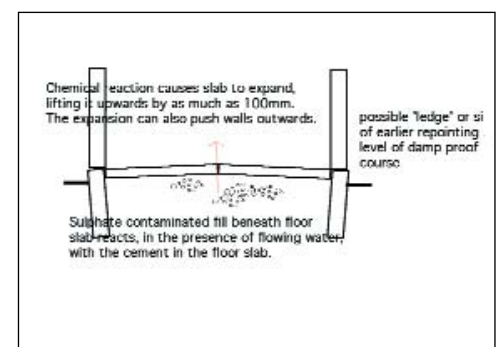
From level monitoring exercises it is interesting to see that buildings do move around (often by



upto to 10mm) without cracking. Effectively the building can deflect without cracking even though brick buildings are relatively brittle. Timber frame buildings can tolerate much larger movements without damage, because timber has much better tensile strength. To get back to the theme, subsidence cracks usually taper, often they extend below door or window openings and typically they will affect both leaves of the cavity wall together with the floors.

## Sulphate Attack

Sulphate attack is the name given to a chemical reaction between sulphate in solution and the cement paste (contained either in concrete or mortar). The reaction is expansive, so that in severe cases floors heave out of level and usually displace the brickwork beneath dpc level outwards.



## Summary

The vast majority of cracks are no reason for concern, but if they taper or exceed 2mm in width then they might result from subsidence and it's worth taking professional advice. Equally, it can sometimes be difficult to establish the precise cause of cracking (even the professionals sometimes need to undertake detailed level surveys, site investigations or monitoring to confirm the cause) so again if in doubt take advice.

As with most problems good early advice saves a great deal of time and cost in the long run.

**Richard Rollit BSc (Hons) CEng MICE ACILA  
Crawford and Company**

# Service Charges

## A guide for landlords and residential property management companies

### **Service charges are probably the principal subject of friction and complaints between flat owners and their landlords or management companies.**

Some issues relating to service charges are covered by the lease, others by common or statutory law.

Service charges are payments by the leaseholder to the landlord for all the services the landlord provides. These will include general maintenance and repairs, insurance of the building, lighting and cleaning common areas; they sometimes also include central heating and gardening. The charges will probably also include the cost of the general management of the building by the landlord or a professional managing agent. Details of what can and cannot be paid by the individual leaseholder will be set out in the lease.

Remember the general principle of leasehold is that the landlord arranges provision of the services and the leaseholder pays for them. All costs are down the leaseholders; the landlord generally makes no financial contribution.

The lease will govern whether the charges are payable in advance or in arrears and whether they are payable on a regular date, for example a quarter day or as they arise.

To be recoverable by the landlord the charges must be reasonable. There is not of course any useful definition of reasonableness in fact only the old legal adage about what is reasonable to the man on the Clapham omnibus!

The general direction taken is from the judgement in the case of *Finchbourne v Rodrigues* in the Court of Appeal 1976 that the parties to a lease could not have intended that the landlord should have an unfettered discretion to adopt the highest conceivable standard and to charge the tenants for it. The implication is that the leaseholders are to be protected from the potential extravagance of the landlord who is bound to be reasonable in his proposals and demands. This principle applies whether the landlord is an absentee third party or a resident management company; **the fact that the building is owned and managed by the residents provides no mitigation or exemption from the requirement for reasonableness.**

The levying and collection of a service charge pursuant to a lease is an individual arrangement between the landlord and each

leaseholder in that the lease is, in effect, a private contract between the two parties. Therefore the test of reasonableness applies to each individual leaseholder who has a personal right to question whether the charge is reasonable.

**It is important that resident management companies appreciate this individual right**, the fact that the proposals for the work or costs were discussed and voted on at a residents meeting does not absolve the company from their obligations of reasonableness nor negate an individual leaseholder's right to object or to challenge the charge at a Leasehold Valuation Tribunal (LVT).

Section 20 of the Landlord and Tenant Act 1985 requires a landlord proposing to carry out works of repair to a total cost exceeding £1000 or £50 per flat in the building (This will change to £250 per flat later in the year) whichever is the greater, to serve notices on each leaseholder telling them what he proposes, including at least two estimates of cost and inviting the leaseholders' comments.

He is not in fact bound to do more than have regard to leaseholder's comments but if he fails to serve the notices he is not legally able to recover any costs beyond the statutory limits above.

**Again, the same statutory requirement applies to residents managed buildings and resident companies should ensure that they follow the formal procedures in all cases.** It is not sufficient to hold a meeting to discuss the proposals; whilst this is always useful it doesn't remove the legal requirements to serve Section 20 notices. It will be no use complaining when an occupant refuses to pay more than £50 of his service charge that he was invited to a meeting to discuss the proposals but failed to attend because he was watching football. If he didn't get a Section 20 notice then the charge is not legally recoverable beyond the statutory limit.

Any individual leaseholder or the landlord may make an application to their local LVT for a determination of reasonableness of a service charge. This can be a proposed charge or one where the work has been done or the services are already provided. The tribunal is able to determine any aspect that contributes to the disputed charge. It's not simply that the cost is considered too high but why the charge is high. The tribunal can consider, for example, in cases of works or repair: Did the works need doing at all? Should they have been done to that

specification? Was the standard of work too high or too low? Should they have been done now or could they have waited? How well was the work supervised and was it done properly? Was the work more extensive than it needed to be because of the landlord's previous neglect? The issues are equally as wide in looking at charges for services including management charges.

It is not of course a simple matter. Whilst the tribunal is a much less formal procedure than a court hearing it does require the collection and presentation of evidence. It is not sufficient just to allege that the cost is not reasonable, it must be so proved to the tribunal's satisfaction. In most cases application to the tribunal will require the assistance of a solicitor and a surveyor to provide technical evidence.

The tribunal's function is to simply determine reasonableness of the cost; he cannot make any order for payment or repayment, that is a separate issue for the County Court.

Going to the tribunal is not without cost, there is a fee on a sliding scale dependant on the number of flats of up to £500 and there will be the professional fees of a solicitor or surveyor and so applications are not to be made lightly. However, the tribunal service has a major advantage over the courts in that it cannot make any order of costs - only in certain cases - to require a respondent to reimburse the applicants application fee.

Service charge monies collected but not yet spent by the landlord must be held in trust by the landlord and may not be used for any other purposes except specifically to pay for those matters chargeable under the lease.

**The landlord of the resident management company may not use this reservoir of cash for any other reason, however pressing.** A leaseholder may demand a summary of the service charge position for his or her flat to show money collected against expenditure and **from 2003 there is a requirement that the service charge residues are held in a separate designated trust account and the landlords will be under an obligation to provide a summary of costs at each year end**, whether requested or not.

Peter Heler

Chief Executive, LEASE

For free advice or further information contact the **Leasehold Advisory Service website [www.lease-advice.org](http://www.lease-advice.org) or telephone 020 7490 9580.**

# Health and Safety

**A** recent correspondent to *Residentsline* thanked us for sending them their complimentary safety guide for directors of Residents Associations but also pointed out the requirement for directors of a property management company to have its own company Health and Safety Policy and asked us whether we could provide any advice.

The basis of British health and safety law is the Health and Safety at Work Act 1974 which sets out the general duties which directors have towards employees and members of the public. The Act is not black and white but operates on the principle of what is reasonably practical. In other words, the degree of risk in a particular job or workplace needs to be balanced against the time, trouble, cost and difficulty of taking measures to avoid or reduce the risk - it requires you to show common sense in assessing risks and taking sensible measures to tackle them.

The main requirement is to carry out a risk

assessment and employers with five or more employees need to record the significant findings of their risk assessment. In addition, directors need to:

- Make arrangements for implementing the health and safety measures identified as necessary by the risk assessment
- Appoint competent people, usually directors themselves, to help them implement the arrangements
- Set up emergency procedures
- Provide clear information and training to employees and contractors
- Work together with other employers or contractors sharing the same workplace

These principles are based on common sense but do provide an invaluable framework for directors to construct a definitive Health and Safety Policy for their company.

So don't be daunted by the task, but undertake an objective appraisal of your

property and establish those risks that are real and possible. Establish a means of minimising these risks and agree on a structure to police them. Ensure that employees and contractors or sub-contractors are also aware of them and comply with your instructions to minimise those risks. Finally incorporate all of your findings in a concise and clear written policy statement then not only will you sleep better at night, you will also greatly minimise the risk of accidents and you will also be protecting yourself as a director in the event that an unfortunate incident does happen.



See *Residentslines* website for great offers on quality fire extinguishers

## Nailing down the carpenter

**N**o one ever promised that life would be fair. So when, as a director of a residential management company you are faced with a crisis, whether it be a leaking roof or foundation cracking, your first reaction is to act speedily to rectify the situation, remember the old saying "act in haste, repent at leisure." For, unfair as it may seem, if the repair is deemed unreasonably costly or if it subsequently proves to be unnecessary or completed to a poor standard then not only are you laying yourself open to the gripes and moans of other residents, but in the

**worst case scenario you could be exposing yourself to a compensation claim if it can be proved that you have not carried out your duties with all due diligence.**

There are two morals to this story: Firstly, always stand back from the problem and make a few fundamental checks before you act.

Call the relevant trade associations such as the Federation of Master Builders to see if the firm is registered with them. For larger jobs you may consider it advisable to ask the contractor to disclose financial details, workforce information and give trade references before you allow them to commence work.

Asking a firm of local surveyors to recommend a builder can also be useful. Estate agents also use selected contractors and may give you details.

If you make a claim through *Residentsline* then you can take advantage of the RepairNet team of approved contractors all of whom have passed the strict

vetting procedure outlined above and they will be paid direct by Norwich Union.

Secondly, make sure that even if, after all your best efforts, a resident does claim that he has suffered financial loss as a result of your actions as a Director then you are protected by *Residentsline's* Directors and Officers liability insurance.

This is a policy specially developed by *Residentsline* to protect Directors against claims for financial loss (as opposed to claims for damage or injury) and can prove invaluable: In one case a Director had employed a roofing contractor to undertake work and had received a 10 year guarantee. However, he had made no checks on the financial standing of the company. When after three years the roof began to leak the Director found that the company has ceased trading and the guarantee was rendered worthless - it was only his Directors and Officers Liability Insurance which saved him from legal defence costs and possibly having to fund the remedial work out of his own pocket.

# Terrorism Insurance – it's a minefield!

**The editorial team at Residentsline know that, frankly, the subtleties of insurance are boring and more often than not the devil is in the detail: That's why we endeavour to provide a wide ranging mix of entertaining and informative articles in order to offer a stimulating read which genuinely helps directors of residential management companies.**

Occasionally, however, we just can't avoid getting into relatively heavy detail - and Terrorism is one such subject.

Before you switch off and think it doesn't apply to you - think again. Your peaceful residential area may be an unlikely target for even the most misguided terrorist - but what if your suburban anonymity makes it the perfect undercover base for someone who decides to invest in a few bags of fertilizer to manufacture a bomb? After all, news broadcasts are populated by shocked residents who never suspected their neighbour would do such a thing!... If that bomb goes off prematurely during manufacture you are just as much a victim of terrorism as the intended target.

Until January 2003 this thought process was relatively academic since for a policy sum insured up to £2,500,000 terrorism insurance was provided within the standard cover. For all sums insured over £2,500,000 a "flat" premium of £52.50 including Insurance Premium Tax was charged.

In truth, terrorism cover was provided by something called Pool Re (a Government backed insurer) and was limited to loss or damage by fire and explosion following acts of terrorism.

Following the increased perceived risks since "September 11th" Pool Re now acts as a re-insurer only, so the risk of terrorism has to be insured directly by your own insurance company - an added risk which has to be covered by a new (and additional) premium.

Consequently, when your policy falls due for renewal after January 1st 2003 you will have to pay an additional premium if you wish to benefit from Terrorism insurance.

The cost will range from about 7 pence per £1000 Sum Insured up to 40 pence per £1000 plus IPT. A minimum premium of £25 or £50 plus IPT normally applies. The rate - which is calculated according to the area in which the property is situated, applies to Buildings, Communal Contents and the balance of Alternative Accommodation cover over 20% added together to arrive at the Total Sum Insured.

The good news is that cover provided is now on an "All Risks" basis, including losses from chemical, biological or nuclear acts of terrorism which result in physical damage to property, though exclusions such as war and cyber terrorism still apply.

The bad news is that while for smaller properties in low risk areas premiums chargeable may fall within your insurers minimum premium, directors of many management companies - especially in 'high risk' areas - will be faced with the dilemma of whether or not to take out Terrorism Insurance costing thousands of pounds!

As we said at the beginning of this article it is the off-beat effects of terrorism which need to be considered just as much - if not more - than the threat of direct

## Wash as you go!

**We seem to be more and more obsessed with the top tens of this, top hundreds of that and while Residentsline doesn't want to jump on the bandwagon it is probably worth mentioning what causes more claims than any other single problem - and at Residentsline we bet that it won't be the first problem that you think of.**

It's not fire, it's not subsidence, nor storm damage - just falling short of the astounding fact that in 1990 there were about 15,000 vacuum cleaner related accidents in the United States comes the marginally less astonishing fact that the humble washing machine causes more claims than anything else!

You probably would be viewed as a complete anorak if you took this information and told everyone in your block to regularly check that their connections haven't worked loose, but if you can drop it out in light hearted conversation then at least a few people may go and check their plumbing and prevent your block of flats adding to the statistics.

attack when you are making your decision.

Footnote: At the risk of adding insult to injury, the ramifications of deciding not to take out terrorism insurance could, in the worst case scenario include a claim that the directors have failed to exercise an adequate duty of care - perhaps this could also be the ideal time to consider whether to take out Directors & Officers liability Insurance!

**YOUR ACCOUNTS PREPARED  
BY AN FCA PROFESSIONAL  
FOR JUST £120 INCLUSIVE**

**CONTACT PETERS SMITH FCA  
flatmancoltd@aol.com  
TEL: 0117 910 9192**

**Directors and Officers liability  
insurance for Residents  
Associations and  
Management Companies**

**LIMIT OF INDEMNITY**

**\*ANNUAL PREMIUM**

**£50,000**

**£140.00**

**£100,000**

**£199.50**

**£250,000**

**£299.25**

**£500,000**

**£399.50**

\* Premiums shown include Insurance Premium Tax at 5% and are based on Companies managing up to 75 flats. Phone Residentsline for more details

# The Devil is in the Detail

## Commonhold and Leasehold Reform Act 2002

**The Commonhold and Leasehold Reform Act 2002 received Royal Assent on 1st May 2002 but most of its provisions require commencement orders and/or regulations to be made by the Government before the changes enacted come into effect. The most radical change made by the Act is the creation of a new tenure for flats known as commonhold, the subject of an open discussion paper produced by the Lord Chancellor's Department in the early 1990's.**

Part 1 of the Act deals exclusively with commonhold for which no definition is given beyond providing that commonhold land exists where:

- a) the freehold estate in the land is registered at the Land Registry as commonhold land
- b) there is a commonhold association
- c) there is a commonhold community statement making provision for rights and duties of the commonhold association and unit-holders

The concise Oxford Dictionary defines commonhold as "a proposed system of freehold tenure of a unit within a multi-occupied building but with shared responsibility for common services."

The Lord Chancellor is empowered to prescribe regulations relating to a commonhold association, community statement and so on. Until he does so commonhold is in limbo. Recent enquiry of

the Lord Chancellor's Department reveals that the requisite regulations are not expected to come into force until the Spring of 2004.

When the Bill was proceeding through Parliament, the Government resisted attempts to reduce the requirement that to change to commonhold required every unit holder in a block of flats to agree. Additionally anyone with an interest in the land ie the freeholder/landlord and any superior lessor must also consent. Experience shows that unanimity in this situation is well nigh impossible to achieve. In the absence of financial incentives e.g. stamp duty saving, very much remains to be seen how prevalent commonhold tenure will become.

I suggest that the most likely category of flat dwellers to become commonholders will be where the freehold of a block of flats is already collectively owned and the change to commonhold will render unnecessary recurring lease renewals.

The provisions of Part 2 of the Act relate to the right to manage which can be exercised by lessees of long leases (more than 21 years) provided two-thirds of the flats in a building are held under such leases and at least one-half of the unit holders in the entire building wish to take part. The Right to Manage can only be exercised through the medium of a Right to Manage company whose memorandum and articles are to be prescribed by regulations, still awaiting to be made by the Secretary of State Meanwhile, the existing law set out in the Leasehold Reform, Housing and Urban Development

Act 1993 applies. The benefits to lessees conferred by the Act include:

- (1) the abolition of the payment of "marriage value" by a lessee on collective enfranchisement or lease extension where a lease has over 80 years unexpired.
- (2) where applicable "marriage value" is shared 50% between lessee and freeholder
- (3) no residence test is required to participate in a collective enfranchisement nor for a lease extension but in the latter case the lease must have been held for two years
- (4) rights acquired by a lessee are exercisable by his/her personal representatives (executors/administrators) following his/her death for up to two years following the date of issue of a grant of probate (will) or letters of administration (intestacy).

This brief article does not attempt to describe all the changes made by the Act of 2002. The Act makes no attempt to rationalise the legislation so that lessees and their advisers are still obliged to refer to a morass of piecemeal legislation with yet another statute added to the list of references. Codification is clearly desirable but unlikely to occur in the near future.

DAVID HENSON

Consultant with

J.Y. HOLT AND SELLARS SOLICITORS

Tel: 0121 427 3401

## MEET THE STAFF

Although she barely looks old enough, with the exception of a period of maternity leave Katrina has been with Residents*line* since its launch – and can even recall placing the first policy.

Since those far off days Katrina's role has evolved just as dramatically as that of Residents*line*. She was integral in helping to develop the company's sophisticated

computer system and is now responsible for maintaining the network within the office. She is also a crucial member of Residents*line*'s vital new business team. Not surprisingly for someone who has been with the company for so long Katrina's favourite aspect of the job is one which we believe makes Residents*line* different from most other insurance companies: "We take a pride in one person handling queries from start to finish – that provides a more efficient service and reduces stress for our clients and it means that we feel a real sense of achievement when we have helped someone resolve a problem".



Having recently purchased a new family home with her partner, Katrina appreciates every spare moment she has with her son, Callum.

# Residentsline Insurance

**Residentsline** is a unique insurance policy designed specifically for the needs of Residents Associations and Property Management Companies.

If you don't already insure with **Residentsline**, compare these features with your current policy and call us free on

**0800 281 235** for a quotation or complete the details below and post your application for using the freepost address.

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| <ol style="list-style-type: none"> <li>1. "All Risks" basis (incl. subsidence)</li> <li>2. Communal Contents (per building) - £25,000</li> <li>3. Payment for alternative accommodation or loss of rent - 33.3% of sum insured</li> <li>4. Architects, Surveyors and Managing Agents fees and debris removal costs</li> <li>5. Damage to Fixed Glass and Sanitary Fittings</li> <li>6. Damage to underground Pipes, Cables and Drains and Clearance</li> <li>7. Leakage of oil or water from tanks or pipes</li> <li>8. Leakage of Metered water, gas and electricity - £25,000</li> <li>9. Cost of tracing leaking water or oil causing damage and repair</li> <li>10. Cost of repairing damage to Gardens and Grounds by Emergency Services - £25,000</li> <li>11. Cost of felling or lopping dangerous trees - £500</li> <li>12. Cost of exceptional measures to alleviate possible damage- £25,000</li> <li>13. Replacement of Communal door locks following theft of keys - £1000</li> </ol> | <ol style="list-style-type: none"> <li>14. Loss or damage to garden furniture and equipment - £5000</li> <li>15. Unrestricted cover on individual Vacant or Rented flats</li> <li>16. Free Index Linking of sums insured</li> <li>17. Loss of Residents Association or Management Company Cash - £2000</li> <li>18. Legal liability for Injury to Employees - £10,000,000 (restricted to £5,000,000 in respect of terrorism)</li> <li>19. Legal liability for Injury to the Public or damage to their property - £5,000,000 (restricted to £2,000,000 in respect of terrorism)</li> <li>20. Legal liability for injury to Residents or damage to their property - £5,000,000 (restricted to £2,000,000 in respect of terrorism)</li> <li>21. Legal expenses - £50,000</li> <li>22. 24 hour Emergency Helpline - including legal advice and domestic services</li> </ol> |
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Residentsline is underwritten by CGU International Insurance plc, a member of the CGNU group.



**Either cut out this form or photocopy it and send it to:**

**Residentsline, FREEPOST (MID 14042), Wolverhampton WV1 1BR – There's no stamp required! Or fax to 01902 710327 alternatively complete the form on our website: [www.residentsline.co.uk](http://www.residentsline.co.uk)**

## Residentsline

please complete the details below and post back to us, or call Freephone 0800 281 235 for a quotation or advice

Company name: \_\_\_\_\_

Contact: \_\_\_\_\_

Position: \_\_\_\_\_

Tel No: \_\_\_\_\_

Postal address \_\_\_\_\_

Post code: \_\_\_\_\_

Renewal Date: \_\_\_\_\_

Current Insurer: \_\_\_\_\_

Sum Insured £ \_\_\_\_\_

Declared value, if shown (£ \_\_\_\_\_ )

Address of Building (s) \_\_\_\_\_

Listed? \_\_\_\_\_

No. of Garages \_\_\_\_\_

Age: \_\_\_\_\_

If converted, when? \_\_\_\_\_

No. of Buildings \_\_\_\_\_

No. of Storeys \_\_\_\_\_

No. of Flats \_\_\_\_\_

Construction: Walls \_\_\_\_\_

Roof \_\_\_\_\_

Floors & Stairs \_\_\_\_\_

1. Are the buildings

a. Occupied as i) Holiday homes? ii) Bedsits/student accommodation? iii) Hostel?

Yes

No

b. Affected by subsidence, ground heave or landslip, now or at anytime in the past?

Yes

No

c. Abnormally exposed to storm or flood?

Yes

No

2. Are there any Communal Facilities? (lift, boiler, tennis courts, swimming pool etc)

Yes

No

or any commercial use? (shops, offices, restaurants etc)

Yes

No

3. Have you been refused insurance or had special terms/conditions imposed?

Yes

No

4. Have losses or claims been suffered in the last 3 years?

Yes

No

If you have answered YES to any questions please provide details in the box below, or use for additional comments



# Small is beautiful

**As a director of a residential property management company you will be only too aware of your legal obligations to file accurate accounts. Penalties of imprisonment or fines are provided for in respect of a director who fails to take all reasonable steps to comply with the requirements of the Companies Act.**

On the other hand, the majority of not for profit property management companies are permitted to file only a modified balance sheet.

It can be a classic 'catch 22' situation for the assiduous board of directors: Do you protect yourself against every eventuality by using an accountant to verify your submission or do you try to save valuable money by trusting your own judgement and submitting a modified balance sheet without it being professionally checked?

Residentsline believes it has found the answer. Flat Management Company Accounts Ltd, whose principal is Chartered Accountant, Peter Smith FCA, provides an all inclusive service for a flat fee of £120.00 providing a combination of peace of mind and great value for money.

**You can e-mail Flat Management Company Accounts Ltd on [flatmancoltd@aol.com](mailto:flatmancoltd@aol.com) or telephone them on 0117 910 9192.**

# Are you sure you don't employ anyone?

**It's a theme which is probably enacted at many management company meetings - one of the directors points out to his colleagues that their insurance policy does not provide protection for injury claims by employees, and, looking to save valuable funds everyone agrees not to effect this optional cover because they don't employ anyone since everything is carried out by contractors.**

Five weeks later the amiable retired resident given cash in hand to keep the grounds prim and proper manages to fall off a faulty ladder and break his ankle - meaning that he can no longer drive or pursue his active social life.

Unfortunately for you, his son in law just happens to be a solicitor and that's when his claim for compensation takes on a different perspective!

Anyone given cash in hand for their labour is likely to be deemed an employee in the eyes of the law; cleaner, gardener, handyman. If the provider of labour does not supply their own materials and equipment, work for other businesses or individuals or submit invoices for work undertaken, that person is likely to be an employee for the period he or she works for you and may look to your company for compensation in the event of an injury. In these circumstances it is unlikely that your public liability insurance will indemnify you.

To put it simply, if someone runs a business, even as a sole trader, then that person is not an employee but if your tradesman is perhaps a resident with another job, is retired or is just helping out and being paid, your responsibilities may be as an employer. It can be a very costly mistake to make so perhaps employers liability insurance isn't such a bad idea after all.

# Corporation Tax

**Flat management companies are not liable to corporation tax on the surplus of contributions in excess of expenditure for any year, as the Inland Revenue view this as mutual trading. However, any trading or rental income may be taxable as indeed is any interest received.**

But, from the 1st April 2002 there is no corporation tax liability on the first £10,000 of taxable profit on any limited company. So while in the past it has often been expedient to have tax deducted from interest paid by banks at source from now on it will be beneficial to receive interest gross as, subject to the £10,000 limit, no tax liability will arise.

## Useful Telephone Numbers

1. ABI (Association of British Insurers) Tel: 020 7600 3333.
2. Arboricultural Association Tel: 01794 368717.
3. ARMA (Association of Residential Managing Agents) Tel: 020 7978 2607.
4. BCIS (The Buildings Cost Information Service) Tel: 020 769 5 1500.
5. The British Wood-Preserving and Damp Proofing Association Tel: 01332 225 100.
6. CORGI (Council for Registered Gas Installers) Tel: 01256 372300.
7. Federation of Master Builders Tel: 020 7242 7583.
8. FENSA (Glass & Glazing monitoring organisation) Tel: 0870 780 2028
9. Financial Ombudsman Service Tel: 0845 080 1800
10. GISC (General Insurance Standards Council) Tel: 020 7648 7800.
11. HSE (Health and Safety Executive) Tel: 0870 154 5500.
12. IEE (Institution of Electrical Engineers) Tel: 020 7240 1871.
13. Institution of Plumbing Tel: 01708 472 791.
14. The Institution of Structural Engineers Tel: 020 7235 4535.
15. LEASE (Leasehold Advisory Service) Tel: 020 7490 9580.
16. London Tree Officers Association Tel: 020 7974 4124.
17. National Association of Estate Agents Tel: 01926 496800.
18. RICS (Royal Institution of Chartered Surveyors) Tel: 0870 333 1600.
19. The National Federation of Builders Tel: 020 7608 5150.
20. Trees for London Tel: 020 7587 1320.

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