

Block Management Sector Code

Code of practice, UK, 1st edition

Introduction

The Block Management Sector Code ('this Code') has been developed alongside the Overarching Code of Practice for Residential Property Agents ('the Overarching Code'). The Overarching Code sets out the high-level principles that underpin the standards of professionalism expected of all property agents.

This Code takes the principles set out in the Overarching Code and applies them to agents involved in the management of leasehold and commonhold property, and estates of freehold houses.

The principles apply to the conduct and behaviour of managing agents (as firms) and staff (as individuals), and comprise a framework for ethical and competent practice.

What this Code covers

This Code applies to:

- **leasehold:** property agents engaged in activities relating to the management of leasehold properties
- **commonhold:** property agents appointed by a commonhold association to carry out activities related to property management
- **freehold estates:** property agents engaged in activities relating to the management of freehold estates.

This code does not cover:

- management of individual tenancies (such as assured shorthold, assured and secure tenancies) within a block
- commonhold properties managed by the commonhold association itself
- freehold estates managed by the freeholder itself
- build-to-rent properties.

Key definitions

In this code:

- 'Homeowner' means a person who owns a long lease or the freehold of an individual flat or house.
- 'Leaseholder' means someone who owns a property on a lease, typically for 99, 125 or 999 years. The length of the lease decreases year by year until it eventually runs out.
- 'Building or estate owner' means the person who owns the long lease or the freehold of the building or estate containing the flats or houses, or is a management company that is a party to the title documents, and in each case is responsible for providing services and/or insurance to the homeowners.

- 'Title documents' means the legal documents governing the relationship between the building or estate owners and the homeowners, and may include leases, freehold transfers, deeds of covenant, rentcharge deeds and in some cases the articles of association of a residents' or management company, or the constitution of an association.
- 'Managing agent' means the company employed by the landlord/client/management company to provide services and/or manage a building or estate.
- 'Client' means the landlord or the freeholder of the building or estate.
- 'Complaint' is an expression of dissatisfaction, however made, about the standard of service, actions or lack of action by the managing agent or those acting on its behalf, affecting an individual homeowner or group of homeowners.

A list of other definitions can be found in the glossary at the back of this Code.

'Terms marked (*) the first time they appear are defined in the Glossary.'

Application

Agents (*) must exercise their judgement in applying the principles and standards in this Code to the situations they are in and deciding on a course of action. They must bear in mind their role and responsibilities, as well as the nature of the client and consumers they are dealing with.

Agents are personally accountable for compliance with this Code, along with other relevant codes and future codes. Agents are also personally accountable for following all other regulatory requirements that may apply – and must always be prepared to justify and evidence their decisions and actions.

A serious failure to meet these standards or a serious breach of regulatory requirements may result in regulatory or criminal action being taken against an agency (*) and/or staff. A failure or breach may be serious either in isolation or because it is part of a persistent or concerning pattern of behaviour.

Note that this Code contains links to specific pieces of relevant legislation. The links should not be considered an exhaustive summary of the legal requirements applicable to property agents, agencies and/or staff.

Special provisions for housing associations

Registered social providers that manage private residential leasehold property not only have to adhere to this Code, but also the [Regulatory Framework](#) of the Regulation Committee of the Homes and Communities Agency. The Regulatory Framework contains the fundamental obligations of housing associations that are registered social providers in meeting their regulatory requirements.

Section 1 Dealing with consumers

1 Introduction

1a You must comply with the expectations set out in Section 1 of the Overarching Code in relation to:

- i. acting ethically, with honesty and with integrity
- ii. having a professional standard of skill and care
- iii. treating all consumers fairly and equally regardless of their race, religion or belief, sex, sexual orientation, gender recognition, disability, pregnancy or maternity, or nationality
- iv. complying with all relevant legislation
- v. seeking to avoid conflicts of interest and declaring them where unavoidable
- vi. communicating clearly, accurately and transparently when representing your services
- vii. reporting breaches of both the Overarching Code and this Code to the regulator (*)
- viii. being open and transparent with the new regulator about matters that might affect their or others' trust in the profession
- ix. disclosing and reporting information relating to a property that may affect a homeowner's safety or does not conform to relevant mandatory property standards, and working with any building safety manager to ensure that homeowners are kept informed with regards to building safety issues
- x. data protection and client information
- xi. ensuring transparency with regard to referral fees
- xii. complying with the instructions of your client.

1b Where managing agents do not comply, this will be taken as a breach of this Code, as well as a breach of the Overarching Code.

2 Complaints – general/against the managing agent

2a You must have an in-house complaints procedure in place, setting out a clear timeframe for responding (the overall process should not take more than eight weeks, starting from the date the complaint is received and ending on the date your final view letter is issued) and steps to be taken to inform the complainant (*) if these timeframes cannot be met.

2b Your procedure must be in writing (*) and made available online, in an office (where appropriate) and shared with complainants when requested. The procedure must explain to the consumer how you will respond if the issue is in relation to agent actions or instructions they have received from a client.

2c Where a complainant raises an issue that is not your responsibility, you should, if possible, direct the complaint to the appropriate person and/or organisation.

2d You must take all reasonable steps to ensure that your complaints procedure is accessible to all complainants – for example by providing translated copies.

2e You should ensure that complaints are dealt with consistently, fairly and sensitively.

- 2f You should train your staff to welcome complaints and value them as a way to learn and improve services.
- 2g When complaints are made verbally, you should use reasonable endeavours to ascertain whether it is a formal complaint or not, and if it is, communicate the decision to the complainant.
- 2h If the complaint cannot be resolved at the time it is being made, a proper investigation must be promptly undertaken. A formal written response, setting out any remedial actions if required, must be sent to the complainant.
- 2i A senior member of staff or designated complaint handler not directly involved in the issue should deal with the complaint.
- 2j For complex complaints where the timescale needs to be extended beyond that in your written procedure, you should agree with the complainant a reasonable date for response.
- 2k If the complainant remains dissatisfied, the complainant must be told how the complaint can be further pursued. This should provide the opportunity for a speedy, separate and detached review of the complaint by staff not directly involved in the original complaint. Such a review should be sent to the complainant.
- 2l Following the conclusion of the investigation, a written statement of the final view, and including any offer made, must be sent to the complainant. This letter must also tell the complainant how the matter can be referred to the redress scheme of which you are a member, pointing out that any such referral by the complainant must be made within 12 months of the date of the final view.
- 2m You must belong to a government-approved redress scheme and provide details of that redress scheme to the complainant.
- 2n You must abide by any determination made by the redress scheme.
- 2o You should make complainants aware of other organisations that can provide advice or casework, or take up complaints, such as [Citizens Advice](#), [LEASE](#), and [Shelter](#).
- 2p All complaints must be recorded, stored and managed accurately and in line with data protection legislation. You should monitor the complaints you receive to identify whether there are any systemic or training issues you need to address.

3 Disputes between occupiers

- 3a When requested to deal with disputes between occupiers, you should always refer to the title documents and your delegated duties under the management agreement, and should not go further in dealing with parties than permitted by these.
- 3b Disputes between occupiers may follow your agreed complaints procedure; however, when dealing with disputes between occupiers you should:
 - i. Use your knowledge and experience to guide your client on how to proceed, advising them of the options available – including dispute resolution.
 - ii. Be mindful that by your actions you do not assume a responsibility you do not have.

- iii. Always have regard to the enforceability clause in the title documents before embarking on any action that involves expense from the service charge, and take client instructions.
- iv. Have your client's authority before pursuing any enforcement action, and confirm that the client will be responsible for the costs until or unless recovered from the homeowner.
- v. Give complainants realistic estimates of the likely time and cost involved in any enforcement.
- vi. Be mindful of any documentation that governs the relationship between the individual and communal areas.
- vii. Consider other methods of dispute resolution, such as mediation, and suggest this method of dispute resolution where appropriate.

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Section 2 Sector code for managing agents

4 Securing new business instructions

4a Prior to accepting instruction (commencing work), you must:

- i. Act in an honest and transparent way, and ensure that terms are fair and the documentation is written in plain, intelligible language.
- ii. Inform the client of your obligations under this Code and the Overarching Code.
- iii. Inform the client of the redress scheme and any trade or professional bodies of which you are a member.
- iv. Take all reasonable steps to satisfy yourself that the client is entitled to instruct you.
- v. Clarify for whom you will be working and how you will be paid, identifying whose interests you will be representing. There may be a chain of leasehold interests and you may be instructed by a building or estate owner who is a freeholder, a head landlord or an intermediate landlord. Understand the legal ownership structure so that you can correctly advise clients.
- vi. Ensure that the terms of engagement setting out the relationship between you and the client have been agreed and understood, and clearly set out the service you are proposing to provide and at what cost, as well as the extent and limit of any additional services available.
- vii. Not purposely underestimate costs or provide misleading estimates of future service charge contributions to be required.
- viii. Use every reasonable effort to confirm the identity of the individuals instructing you and their authority before accepting instructions.
- ix. Ask about any ongoing disputes, request relevant documentation and agree in writing who has responsibility for their resolution.
- x. Understand and fulfil the obligations to clients and potential clients – services shall be provided to a reasonable standard, time and cost (usually previously agreed) under [The Provision of Services Regulations 2009](#).
- xi. Where you are being instructed by a residents' management company (RMC) or a company set up by leaseholders exercising the statutory right to management (RTM):
 - a. Only incorporate an RTM company on the instruction of a leaseholder in writing, and serve notices inviting participation within a reasonable time.
 - b. Do not act as a director of an RMC or RTM company without an instruction in writing from another director of that company or, in the case of an RMC set up by a developer, from the developer.
 - c. Ensure that where providing administration services and/or company secretarial services to RMC and RTM company clients, the level and extent of these services should be set out in an agreement. It is important to understand the need to differentiate the company administration from managing the company/homeowner relationship.

4b Estates of freehold houses may be managed by a management company or a developer or its successor.

5 Contract (management contract/management agreement/terms of engagement)

5a When agreeing a contract and charges for management services, you must:

- i. Provide details of your fees and expenses, business terms and the duration of the instructions. These should be given before the client is committed or has any liability towards you.
- ii. Provide information on any process for the renewal of the management fee, review of the management fee (if the management fee is agreed to be subject to indexation, the index to which it is linked should be agreed in advance in writing) and the provisions for termination and handover.
- iii. Set out the scope of the duties you will carry out and specify all activities for which an additional fee is chargeable. Have a 'menu' of charges as part of the terms of engagement for duties outside the scope of the annual fee. These charges should be proportionate.
- iv. Provide a basic summary of your terms and duties, including all fees to homeowners, on request.
- v. Provide confirmation that future changes to the contract must be agreed with the client, promptly confirmed in writing and signed by you and the client.
- vi. Clearly state the period of notice or penalty charges and any provision for early termination.
- vii. Ensure that every homeowner is provided with your full contact details.
- viii. Once appointed, make a basic summary of your contractual terms and duties available to homeowners on request.
- ix. For costs to be included in leasehold service charges, ensure that the contract does not constitute a qualifying long-term agreement unless the appointment has been fully consulted, pursuant to section 20 of the [Landlord and Tenant Act 1985](#) (as amended). You should take legal advice on this point if necessary.
- x. Ensure that the written management contract complies with the [Supply of Goods and Services Act 1982](#) (as amended) and [The Provision of Services Regulations 2009](#).

6 Liaising with residents

Recognised residents' associations

- 6a Leaseholders of flats may get together to form a recognised residents' association (RRA), which is a type of association that has established statutory rights. The creation of an association can bring advantages to the management in general, and in particular can ease communication with the leaseholders to establish what they want and to enable them to appreciate the full context in which management decisions are made.
- 6b There is currently no legal framework for recognised residents' associations to be set up for freehold house owners.
- 6c When working with a recognised residents association for a block of leasehold flats, you should:
- i. Establish how representative the association is and seek a copy of its constitution at regular intervals, as well as its membership list.
 - ii. Where a recognised residents' association has no secretary, arrange with the chair or other responsible officer to nominate a substitute officer to receive notices on behalf of the association.

- iii. If requested, send a summary of relevant costs to the secretary of the RRA and provide an opportunity for the secretary to inspect the accounts, receipts and other documents supporting the service charge.
 - iv. Not charge the secretary for inspection, although the cost of the inspection can be included in the cost of management.
 - v. Allow copies or extracts to be taken from any document, although for this service the managing agent can levy a reasonable charge.
 - vi. Where requested by two or more qualifying leaseholders of the same landlord, allow a management audit to be carried out on their behalf.
 - vii. Facilitate and assist with their right to appoint a qualified surveyor and/or qualified accountant to advise on the service charge. The surveyor has the right to request reasonable access to inspect documents and also to the common parts of relevant premises, including the structure and exterior of the building. Reasonable facilities for taking copies or extracts from documents must be provided.
 - viii. If client authority is not forthcoming, refer the RRA to the client/landlord.
- 6d Similar principles should be applied, as far as they are relevant, when you manage an estate of freehold houses with a residents' association set up by the homeowners, although currently there is no statutory regime for recognising such associations.

Informal communication with residents

- 6e An RRA is just one way that leaseholders can get together.
- 6f The use of online platforms, including social media, has become increasingly popular and many homeowners are now using these informal methods to communicate with each other and with managing agents.
- 6g Managing agents should be aware of the shift from more formal engagement methods and should be able to adapt to communicating with homeowners in different ways.
- 6h Managing agents should be mindful that, when communicating through online platforms, they take the same care as they would through more traditional forms of communication, such as a letter.

7 Responsibilities and duties

Repairs and maintenance

- 7a When dealing with repairs and maintenance you should, subject to client instructions/delegated authority/monies being in place:
- i. Have regard to the title documents in determining the respective repairing obligations of the building or estate owners and the homeowners. The title documents may also contain prescribed time periods for cyclical works, especially for decoration.
 - ii. Be aware of the duty of care owed by the building or estate owner, ensure that all persons are reasonably safe from personal injury and from damage to their property that might be caused by a relevant defect, and take action or instructions from the client accordingly. This can include, for example, taking reasonable care to repair paths, driveways or stair carpets so that they are reasonably safe to use.
 - iii. Have adequate servicing contracts in place for any plant and machinery, subject to funds and instructions.
 - iv. Ensure that you have sufficient funds prior to instructing a contractor (*), or that the method of payment has been agreed between all parties prior to works commencing.

Contractors should issue appropriately detailed invoices for all works carried out, however minor, which state clearly what the charges are for.

- v. Have a clear process and contact details for homeowners so that they can report repairs. This should also cover explaining how to report urgent and out-of-hours repairs.
- vi. Deal promptly with homeowners' reports of disrepair if they are the building or estate owner's responsibility to remedy.
- vii. Proactively identify and deal with any health and safety issues in a timely manner.
- viii. Using facilities in place, take reasonable endeavours to keep homeowners informed of any actions or proposed health and safety actions and, where necessary, make convenient appointments for contractors to attend.
- ix. Notify homeowners of target timescales for responses to repairs, which may vary depending upon the urgency and nature of the repair. Depending on the nature of the repair and its impact, homeowners should be informed of contractors' start dates and any contact details prior to works commencing.
- x. Have written control systems in place to ensure that works have been completed to an acceptable standard prior to authorising payment of any invoice. Checks should be proportionate to the level or costs incurred.
- xi. Have contingency plans in place where it may prove more cost effective to replace than to continue to repair.

Planned and cyclical works

7b When dealing with planned and cyclical works, subject to the title documents, client instructions and funding, you should:

- i. Within the limits of the title documents ensure that long-term reserve or sinking funds are created so that the costs of major works fall on current as well as future homeowners.
- ii. Use scheme inspections to inform a programme of planned and cyclical works. This plan should be used to inform budget calculations and reserve fund contributions, and should cover a minimum period of three years. Programmes for large, more complicated developments should cover a longer period.
- iii. Consider the use of experienced or qualified building consultants/specialists, depending on the size and complexity of the project. The building specialist should also inspect reported defects before work is done if it is likely to be complicated and/or costly.
- iv. Also consider the use of building specialists for carrying out periodic inspections to identify defects.
- v. Ensure that the planned maintenance programme reflects a realistic cost of maintenance, including periodic redecoration work.
- vi. Be aware of the adverse cost implications for older buildings.
- vii. Agree planned and cyclical works programmes with the client, communicate them to homeowners and ensure they are included as a note in each year's service charge budget.
- viii. As required (and where permitted in the title documents), allow for the cost of maintenance in each year's service charge budget to ensure there is an adequate fund to meet the cost.
- ix. Ensure the contract specifies the level of your authority to instruct contractors and commit to expenditure. The level of financial authorisation should also be stated and may vary according to the urgency of the works required.

- x. Not exceed your authority to instruct contractors or your financial authorisation without your client's instructions.
- xi. Ensure that any on-site staff are aware of the extent and limitations of their authority to order urgent repair work.

Contractor appointment and administration

- 7c The building or estate owner should normally be the principal/employer under any contract for carrying out works or supply services, not the managing agent. All persons, including managing agents and building or estate owners, should only undertake property-related works or services where they are competent to do so.
- 7d When appointing a contractor on behalf of your client, you must:
- i. Declare if you or, to a reasonable extent of your knowledge, your client have a connection with any proposed company, individual, contractor or supplier, whether financial or otherwise.
 - ii. Ensure that any charges for specifying, tendering and monitoring contracts should be pre-agreed with your clients and proportional to the tasks involved.
 - iii. Confirm, where possible, all appointments or reappointments by a written works order providing contractors with a 'licence to work'.
 - iv. Have criteria in place for the selection of contractors prior to employing them. This should include:
 - a. identity
 - b. competency and experience
 - c. appropriate insurance – employers' liability and third-party liability (where applicable)
 - d. tax – HMRC Construction Industry Scheme, VAT compliance
 - e. health and safety – compliance with codes and regulations, provision of safe working method statement, and
 - f. compliance with your equal opportunities and antidiscrimination policy.
 - v. For more major works, also include:
 - a. financial position
 - b. membership of relevant trade organisations and
 - c. compliance with [The Construction \(Design and Management\) Regulations 2015](#) (CDM).
 - vi. Have a list of pre-selected, approved contractors for low-value or urgent works. In these cases, you should have agreed pricing mechanisms (e.g. hourly rates) and financial limits that are reviewed at appropriate intervals. You should be able to justify the reasonableness of expenditure to your client and have some process for market testing and ensuring value for money.
 - vii. Obtain competitive prices from a minimum of two selected contractors for larger works, and where the costs are to be included in leasehold service charges, at least one of the contractors must not be connected with the building or estate owner. For low-value contracts or extremely urgent works however, this may not always be appropriate.
 - viii. Have considered the nature of contractor cover – e.g. all-inclusive terms (i.e. parts and labour) or call-out duty.
 - ix. Ensure that selection is by competitive tender based upon a uniform specification.

- x. Ensure that the selection criteria is approved by your client unless you have delegated authority to act.
- xi. Clearly define the duties of the contractor, including expected response times.
- xii. Where the costs are to be paid by leaseholders through service charges, ensure that all 'qualifying works' are fully consulted under section 20 of the [Landlord and Tenant Act 1985](#) (as amended) before the appointment of a contractor, or that dispensation has been granted (or carried out with the express instruction of the client after you have pointed out the risks of non-compliance with the above – s.20ZA is the section that applies in this instance).
- xiii. Obtain a health and safety method statement from all contractors, as necessary, before entering into a contract.
- xiv. Take reasonable steps to be satisfied that the proposed method(s) of work are safe and appropriate to the task in hand.

8 Health and safety

- 8a In addition to a number of other parties, including the client, homeowners and other occupants, as managing agent, you have a duty to consider the health and safety of those living in, visiting and working in the buildings that you manage, and take reasonable steps to assist with the management of this, subject to client instruction/available funds/expert assistance. This duty is backed up in legislation and regulation.
- 8b With regards to health and safety, you must:
- i. Comply with your duties under relevant legislation, such as the [Health and Safety at Work etc. Act 1974](#), to ensure the health and safety of your employees, visitors and contractors.
 - ii. Comply with all relevant legislation for ensuring safety at work with regards to manual handling, signs and signals, lifting equipment and personal protective equipment.
 - iii. Comply with all relevant legislation relating to the control of asbestos, hazardous substances, gas safety, electrical safety and water safety.
 - iv. Provide and maintain equipment and systems of work that are safe and without risk to the health of employees, or others who may be affected by their work.
 - v. Ensure that your employees are aware of their need to take reasonable care of their own safety, and that of others who may be affected by their acts or oversight.
- 8c In addition, you should:
- i. Advise your client of their obligation to have available funds in place, and if there is a funding issue, raise it with the client.
 - ii. Be satisfied that any proposed method of work is safe and appropriate for the task in hand.
 - iii. Ensure that periodic risk assessments are carried out by competent persons at every scheme with common parts. The frequency of formal review should form part of the risk assessment process but should be carried out whenever there are significant changes at the scheme.
 - iv. Ensure that the risk assessment is treated as a 'live document', which the property manager should refer to from time to time. Regular reviews do not necessarily entail producing a completely new risk assessment document. The extent of any review should be proportional to the risks identified and the complexity of the installations at each scheme.

- v. Advise the client that risk assessments are undertaken by a 'competent person'. This may be you or other suitably qualified and experienced person(s). If you are employing specialist consultants, recommend that they are registered on the Occupational Safety and Health Consultants Register (OSHCR).
- vi. Make copies of the risk assessment available to anybody attending or working on-site upon request.
- vii. Make occupiers aware of any significant issues that have an impact on their safety and provide copies of the risk assessment on request.
- viii. Regard risk assessments as a 'live' document that is kept under continual review. Any variations or newly identified risks should be assessed and appropriate controls actioned without delay.

9 Building safety

9a [Will reflect new legislation on fire safety and building safety once finalised.]

10 Sustainability

10a You should have a publicly accessible sustainability policy to which your clients can hold you to account.

11 Financial matters

Client money

- 11a Any money you receive or hold that is not entirely due and payable to you is called client money (*). It is not limited to money you receive from your client, and will include money from homeowners.
- 11b When dealing with client money, you should:
- i. Make sure that you have a clear understanding of the meanings of 'client money' and 'client'.
 - ii. Decide, having regard to the amounts involved and the volume and frequency of activity affecting the account, whether to place client money in an interest-bearing account.
 - iii. Discuss with a new client where you will keep the money. Special statutory rules apply to service charge funds you collect from homeowners, which have the status of money held on trust.
 - iv. Check the title documents for any other requirements for holding money paid by homeowners, such as estate charges, or sums to be deposited by non-UK residents as security for ground rent or service charges.

Bank accounts

- 11c When dealing with client bank accounts, you must use your best endeavours to:
- i. Open one or more client bank accounts, which should be held at a recognised bank; that is, an institution authorised by the [Financial Services and Markets Act 2000](#) or a deposit account (and not invested in deferred shares) of a building society within the meaning of the [Building Societies Act 1986](#).

- ii. On opening a client bank account, give written notice to and seek written confirmation from the bank or building society that:
 - a. all money standing to the credit of that account is client money
 - b. the bank or building society is not entitled to combine the account with any other account, or to exercise any right of set-off or counter-claim against money in that account in respect of any sum owed to it or any other account of yours, and
 - c. any interest payable in respect of sums credited to the account should be credited to that account.
- iii. Ensure that all such client bank accounts include the word 'CLIENT' the bank account name.
- iv. Where a single aggregated bank account for client monies is maintained, and individual client ledger balances are kept using accounting software, the following provisions apply to each individual ledger balance:
 - a. Advise, in writing, all those whose money you are holding, including each client, of the name of the account and the name and address of the institution. Further account details should be provided if requested. This may include whether or not it is an interest-bearing account and, if it is, the withdrawal notice period and any restrictions on withdrawals. If not immediately accessible, such restrictions will require the client's approval in writing.
 - b. Hold your own or your office account separately from client money.
 - c. Do not conduct your personal or office transactions through a client bank account. Office money should not be kept in a client account. Client money should be kept separately. If money is paid in to open the client account, it should be withdrawn at the earliest opportunity.
- v. Pay any client money you receive into a client bank account either on the same working day or the next working day after receipt, or as soon as practical.
- vi. Pay a cheque, banker's draft or other receipt that includes any element of client money into a client bank account, before withdrawing any monies that are due to you from that client.
- vii. Be cautious about drawing against a cheque before it has been cleared because, if it is not honoured, you will have to make up the shortfall.
- viii. Never overdraw a client bank account. You should ask your client to supply you with funds before the payment is made or you may make a payment from your own funds, but in so doing you may be at risk if your client fails to pay you.
- ix. Never lend one client's funds to another.
- x. Only draw money from a client bank account:
 - a. if it is your own money paid into a client bank account for the purpose of opening or maintaining the account
 - b. for payment to a client
 - c. for duly authorised payment on behalf of a client to a third party
 - d. for payment of your fees and/or disbursements, provided that your client has a copy of your account and your client has authorised payment in writing, or it is permitted by your contract
 - e. if it is paid in by mistake
 - f. to transfer it on behalf of a client to another client account, or
 - g. when a payment into a client bank account includes non-client monies.
- xi. Keep account records (*) to clearly differentiate the money that you hold for different clients.
- xii. Keep records, in written form or on computer (provided that they can be reproduced in written form), of all accounts, books, ledgers and records maintained in respect of

all client accounts and all bank or building society statements, for at least 12 years from the date of the most recent entry.

- xiii. Keep properly written records to show all of your dealings with client money received, held or paid, and to show all your other dealings through client bank accounts.
- xiv. Keep properly written records in respect of each client to show all of your dealings with client money and enable the current balance of that client to be shown.
- xv. Keep a list of all persons for whom you are or have been holding client money, and a list of all bank and building society accounts in which client money is held.
- xvi. Reconcile your cash books with your client bank account statements and with your client ledger balances within a reasonable time, and keep a record of your reconciliation. Reconciliations should be completed by the end of the following month, at the latest. Unrecognised differences should be investigated and resolved within three months of the original posting. Discrepancies should be investigated, and shortfalls on client accounts should be made good immediately.
- xvii. Send a written account to your client (or as they direct) for all client money held, paid or received (whether or not there is any payment due to your client) at appropriate intervals agreed with your client but not less than once a year.

Insurance

- 11d Significant restrictions are now placed on managing agents acting in various insurance matters. These restrictions are administered by the Financial Conduct Authority (FCA), and regulations allow varying levels of involvement subject to strict procedures being adhered to. Therefore, agents must not give insurance advice unless regulated and qualified to do so.
- 11e All parties should be aware of the risks to the interests of the building or estate owner and of the homeowners if sufficient levels and types of insurance do not exist.
- 11f Insurance fees (including commissions) and all other sources of income and related income or other benefits in relation to service charges or estate charges arising out of the management should be declared annually to the client and to homeowners, and should reflect the level of work carried out.
- 11g With regards to the role of the managing agent on matters relating to insurance, you should:
 - i. Be aware of all the insurance obligations of your client and any restrictions imposed in the title documents, and advise your client that they should obtain specialist advice.
 - ii. Advise your client that there is a need for regular reviews of the level of insurance and reinstatement value.
 - iii. Advise your client whether suitable insurances are in place to satisfy the requirements of the title documents, your client, homeowners and any other interested parties (such as a superior landlord).
 - iv. In circumstances where the obligations are not set out in the title documents, draw the building or estate owner's attention to the risks for which the property and its facilities are insured.
 - v. Have sufficient information to comply with or forward the requests from homeowners for a written summary of the insurance cover to the relevant building or estate owner, without delay.

- vi. Remind homeowners that the building or estate owner's insurance policy does not cover the contents of their demise, and it is the homeowner's responsibility to insure their possessions.
- vii. Use reasonable endeavour to maintain adequate insurance so that the homeowners are not paying for excessive or unnecessary coverage.
- viii. Not exceed your authority to undertake insurance activities.
- ix. Your client's instructions should be taken on any further cover required, which may include:
 - a. provision of alternative accommodation
 - b. loss of rent
 - c. legal fees
 - d. fidelity cover and
 - e. flood cover.
- x. Where appropriate, make recommendations that relevant cover is in place for:
 - a. employers' liability
 - b. third-party liability
 - c. communal contents and
 - d. engineering insurance and engineering inspection insurance.
- xi. Be aware that some of these insurances are compulsory in certain circumstances and you should take advice to ensure an appropriate level of cover.
- xii. When managing on behalf of RMCs, RTM companies or similar, it is prudent for your clients to be covered by directors' and officers' liability insurance. This will be a cost to the client but may be recoverable, depending on the terms of the title documents.
- xiii. Be aware of the requirements for costs, recoverable as a service charge, to be 'reasonably incurred' and for the possibility of homeowners to challenge it at the First Tier Tribunal (FTT). Insurance procured may not necessarily be the cheapest available but should cover appropriate risks and be subject to market testing.
- xiv. Regularly review the extent of cover and level of premiums for all insurances under your control.
- xv. Disclose the commissions arising from the provision of services with the annual service charge accounts (and the actual amounts of such commissions).
- xvi. Ensure that sufficient detail of the building insurance is available to enable a claim to be made and for you to advise on the process. When a claim arises, and you are authorised to undertake this work, you should process it promptly.
- xvii. Where you are not authorised to undertake the work, refer the matter to the broker without delay.
- xviii. Keep homeowners informed of the progress of any claims that affect them directly, or provide them with sufficient information to pursue the matter themselves. Any claim settlement funds received should be treated as belonging to the persons suffering the damage.
- xix. Not make any deduction, without express consent, when passing funds received to the claimant.
- xx. Obtain a mandate allowing you or the claimant to receive insurance claim payments, as these are often made payable to the insured, who may not be the beneficiary of the claim.
- xxi. Consider whether the terms of the title documents/tenancy agreement contain provision that, where an insurance claim is as a result of a negligent act by the homeowner, you are entitled to recover the excess from the homeowner or whether the title documents allow the excess to be paid from service charges.
- xxii. Carry the appropriate insurance cover for your own business. This could include (this is not an exhaustive list):

- a. buildings and contents
- b. employer's liability
- c. legal assistance
- d. fidelity cover
- e. third-party liability (where applicable)
- f. professional indemnity
- g. business interruption
- h. cover for clients' money
- i. plant and machinery, and
- j. staff sickness.

Service charges, budgets, ground rent and administration charges

Please see the [RICS Code of Practice Service Charge Management Code](#) for further information.

Management fees

- 11h You should communicate clearly to the homeowners the management fees and the services that they are receiving for those fees, as well as a non-exhaustive list of examples and exclusions.
- 11i Your charges must be reasonable for the task involved and be pre-agreed with the client whenever possible.

Annual fee

- 11j Subject to the terms of any written contract, for an annual fee (where the level of service provided will normally have regard to the amount of the fee), a managing agent should normally carry out the following work:
 - i. Prepare invoices for and collect service charges from homeowners.
 - ii. Instruct, with the client's consent, solicitors or debt recovery agents in the collection of unpaid service charges, subject to any statutory procedures that need to be followed.
 - iii. Prepare and submit service charge statements and demand service charge contributions.
 - iv. Pay for general maintenance out of funds provided, and ensure that service charges and all outgoing monies are used for the purposes specified under the title documents and in accordance with legislation.
 - v. Produce annual spending estimates/budgets to calculate service charges and reserves, as well as administer the funds.
 - vi. Produce and circulate service charge accounts that comply with [TECH 03/11](#) (guidance on accounting and reporting on service charge accounts where a variable service charge is paid) and supply information to homeowners and any RTA, liaising with and providing information to accountants where required.
 - vii. Administer buildings and other insurance if instructed and authorised, subject to FCA regulations.
 - viii. If instructed, engage and supervise staff such as caretakers, gardeners and cleaners on behalf of clients.
 - ix. Arrange and manage contracts and services in respect of, for example, lifts, boilers and cleaning.

- x. Arrange periodic health and safety, fire and other relevant safety measures.

Disclosure of commission

11k It is best practice to declare any other sources of income, related income or other benefits, including commissions, arising from the provision of your services.

- i. You must inform clients of any introduction or referral fees paid to you.
- ii. Annually notify clients and homeowners of any remuneration, commission and other sources of income and related income, or other benefits you receive, in connection with placing or managing insurance.
- iii. Obtain your client's informed consent to retain any commission received.

12 Legal responsibilities

12a [Any additional legal responsibilities that have not be outlined elsewhere – full list of relevant legislation will be added in the appendix.]

13 Termination of services

13a Your contract must provide clear means of termination if either party breaches its obligations, and set out the notice period for termination.

13b Your contract must set out how you will deal with any handover in a professional, competent and efficient manner within the timescales set out in the management agreement.

13c Your contract should set out the notice period required in the event of termination, and should contain comprehensive details of the services to be undertaken and information to be provided to the client, or any other agent appointed, following termination.

13d In addition, you:

- i. Must confirm any termination in writing with the client, clearly stating the date at which management ceases and when all relevant documentation and client money will be handed over to the client.
- ii. Must confirm in writing who will deal with ongoing litigation, disputes, arrears collection and any fees to be charged.
- iii. Should, where possible, include remedial mechanisms for resolution by either party of the perceived shortcomings of the other.
- iv. Should supply all relevant information to facilitate the handover not less than four weeks prior to the date of handover, or as otherwise directed in writing. This should include client and homeowner contact details, contractor details and insurance information as a minimum.
- v. Must pass all agreed documents relating to the management to the client on the date of handover, or as otherwise directed in writing.
- vi. Must prepare reconciled accounts (no later than three months from the date of handover, unless otherwise agreed) with itemised accruals and prepayments up to the final date of management, including schedules of arrears, creditors and debtors.
- vii. Must hand over the balance of funds that are not required to meet commitments already made at the date of handover. The remaining balance must be handed over at an agreed later date (no later than three months from the date of handover, unless

otherwise agreed), along with the statement of accounts made up to the date of handover.

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Glossary

Agency/agencies	Regulated agency businesses and their staff providing services bound by this Code, as defined in Chapter 2 of the Regulation of Property Agents: working group report , July 2019.
Agent(s)	Individual agents providing services that include reserved activities bound by this Code, as defined in Chapter 2 of the Regulation of Property Agents: working group report , July 2019.
Client money	Money held or collected for and on behalf of clients, including ex-clients, is considered to be client money. This will include deposits or money held for and on behalf of actual, potential or former buyers, sellers, landlords, tenants, leaseholders, freeholders or lessees.
Complainant	Someone who is an actual, potential or former buyer, seller, landlord, leaseholder, freeholder, lessee or tenant making a complaint against an agent. Where appropriate, this definition includes a complainant's properly appointed representative; third parties; and small business, charity or trust.
Contractor	A person or business appointed by an agent to perform non-agency services.
Property management	This is where: <ul style="list-style-type: none"> a) a landlord instructs an agent to manage a property let to a tenant in the private rented sector, or b) one party instructs another to manage a block of flats (often with responsibility for the common areas, corridors, stairwells, etc.) that contains flats owned by a homeowner under commonhold or a long lease, or let to assured or protected tenants, or c) one party instructs another to manage an estate of houses on behalf of the homeowners, or d) a landlord requires a temporarily vacant residential property to be kept secure and maintained.
Records	All written correspondence, file notes, contracts and agreements in hard or digital copy, or electronic communications including emails, texts and other forms of digital messages or faxes.
Regulator	As described throughout, and specifically in Chapter 7, of the Regulation of Property Agents: working group report , July 2019. Where appropriate, it can also refer to designated professional bodies approved by the regulator to perform its functions.
Written/in writing	Includes typed or handwritten letters, records or notes, emails, texts, and other forms of digital messages and faxes, including electronic signatures.

Legislation

- [Landlord and Tenant Act 1987](#)
- [Commonhold and Leasehold Reform Act 2002](#)
- [Equality Act 2010](#)
- [Employment Act 2002](#)
- [Employment Act 2008](#)
- [The Money Laundering \(Amendment\) Regulations 2007](#)
- [Health and Safety at Work etc. Act 1974](#)
- [Management of Health Safety at Work Regulations 1999](#)
- [Data Protection Act 2018](#)
- [The Regulatory Reform \(Fire Safety\) Order 2005](#) (which has been amended by the [Fire Safety Act 2021](#))
- [The Provision of Services Regulations 2009](#)
- [The Gas Safety \(Installation and Use\) Regulations 1998](#)
- [The Work at Height Regulations 2005](#)
- [The Electrical Safety Standards in the Private Rented Sector \(England\) Regulations 2020](#)
- *Building Safety Bill 2020*
- [NTSELAT guidance](#)