

LT PROPERTY SERVICES · FREE GUIDE

Your guide to Right to Manage

Everything leaseholders need to know about taking control of their building: what it is, whether you qualify, how the process works, and what to expect.

Right to Manage gives qualifying leaseholders the legal right to take over the management of their building from the freeholder, without having to prove fault or pay compensation. This guide explains the process from start to finish.

Right to Manage (RTM) is a statutory right introduced by the Commonhold and Leasehold Reform Act 2002. It allows qualifying leaseholders to take over the management functions of their building from the freeholder, without needing the freeholder's consent and without having to prove mismanagement.

Key point: Unlike collective enfranchisement (buying the freehold), RTM does not transfer ownership of the building. The freeholder retains the freehold. What transfers is the right to manage: to appoint managing agents, arrange insurance, maintain common areas, and collect service charges.

Do you qualify?

To exercise the Right to Manage, several conditions must be met:

- **Building type:** The building must be a self-contained block or part of a building, used wholly or mainly for residential purposes.
- **Flat requirement:** The building must contain at least two flats.
- **Leaseholder participation:** At least **50% of the total number of flats** in the building must be held by qualifying tenants who participate in the RTM claim.
- **Qualifying tenants:** A qualifying tenant is a leaseholder whose lease was originally granted for more than 21 years. Most standard residential leases qualify.
- **No more than 25% commercial:** No more than 25% of the building's total floor area may be in non-residential use.

Certain building types are excluded, including purpose-built blocks where the freeholder or an associated company lives in one of the flats, and buildings managed by a resident landlord in a smaller property.

Why would leaseholders pursue RTM?

The most common reasons leaseholders choose to exercise the Right to Manage are:

- **Poor management by the existing agent:** slow responses, neglected maintenance, unreasonable service charges, or a lack of accountability.
- **Lack of transparency:** service charge accounts that are difficult to understand, insurance placed on unfavourable terms, or contractors selected without competitive tendering.
- **No say in management decisions:** leaseholders frustrated by decisions being made without consultation or regard for their interests.
- **Cost control:** the desire to appoint a managing agent on terms that better reflect the building's needs, without the freeholder's preferred agent imposing inflated fees.
- **Building pride:** leaseholders who want to take an active role in maintaining the quality and condition of the building they live in.

Important: You do not need to prove that the freeholder or their agent has done anything wrong. The right is unconditional, provided the qualifying conditions are met.

The RTM process is formal and governed by statute. Each stage has specific requirements and time limits. Getting them right is essential, as errors in the notice procedure can invalidate the claim entirely.

1 Establish a Right to Manage company

An RTM company must be incorporated at Companies House before the claim process begins. It must be a private company limited by guarantee, with a specific memorandum and articles of association in the form prescribed by the RTM Companies (Model Articles) (England) Regulations 2009. All participating leaseholders become members of the RTM company.

2 Invite all qualifying leaseholders to participate

Before serving the formal claim notice, a Notice of Invitation to Participate must be served on all qualifying leaseholders who are not yet members of the RTM company. This gives non-participating leaseholders the opportunity to join. There is a 14-day response period.

3 Serve the Claim Notice

The RTM company serves a formal Claim Notice on the freeholder (and any other relevant parties, such as a head lessee). The notice must include prescribed information, the date on which the RTM company intends to acquire the right to manage (the acquisition date, at least three months from the date of the notice), and the names and addresses of all members.

4 Freeholder's response: Counter-notice

The freeholder has one month from receipt of the Claim Notice to serve a Counter-notice. If the freeholder accepts the claim, the RTM company acquires the right to manage on the acquisition date. If the freeholder disputes the claim, they must state the grounds for objection. If disputed, the RTM company may apply to the First-tier Tribunal to determine the claim.

5 Acquisition and handover

On the acquisition date, management transfers to the RTM company. The existing managing agent must hand over all documentation, funds, and information relating to the building. The RTM company then appoints its own managing agent, or manages the building directly. Existing contracts (such as insurance or maintenance agreements) may continue or be renegotiated.

6 Ongoing management

Once RTM is acquired, the RTM company is responsible for managing the building in accordance with the leases. This includes collecting service charges, maintaining common areas, arranging insurance, and complying with all statutory obligations. Most RTM companies appoint a professional managing agent to carry out these functions on their behalf.

Note on costs: The RTM process does not require the leaseholders to pay the freeholder's costs, unlike leasehold enfranchisement. However, legal fees for incorporating the RTM company and preparing the notices are typically borne by the participating leaseholders.

RTM is a powerful right, but it is not the right solution for every building. Understanding its advantages and limitations before committing is important. So is knowing where claims most commonly go wrong.

ADVANTAGES

- No need to prove fault: the right is unconditional
- No requirement to purchase the freehold
- Leaseholders gain direct control over who manages the building
- Can significantly reduce management costs
- Enables greater transparency over service charge spending
- Improves accountability and responsiveness
- Can be pursued even if only 50% of leaseholders participate
- Freeholder cannot withhold consent if qualifying conditions are met

CONSIDERATIONS

- Does not transfer ownership: freeholder retains the freehold
- Requires at least 50% leaseholder participation
- RTM company directors carry legal responsibilities
- Process requires legal and administrative work upfront
- Freeholder retains the right to resume management if RTM company fails to comply with the lease
- Must appoint a competent managing agent or manage directly
- Insurance must still be placed as required by the leases

Common mistakes that derail RTM claims

- **Incorporating the RTM company incorrectly.** The articles of association must follow the prescribed form. An incorrectly constituted RTM company cannot make a valid claim.
- **Failing to serve the Notice of Invitation to Participate.** This step is mandatory and must be completed before the Claim Notice is served. Skipping it invalidates the claim.
- **Errors in the Claim Notice.** The notice must contain specific prescribed information. Missing or incorrect details give the freeholder grounds to challenge.
- **Insufficient participation.** The 50% threshold must be met at the time the Claim Notice is served. Losing a participant after notice is served can be problematic.
- **Not appointing a managing agent before acquisition.** The RTM company should have management arrangements in place before the acquisition date to ensure continuity of service.

Our recommendation: RTM claims benefit from professional guidance at the outset. We work regularly with RTM companies, guiding leaseholders through the claim process and taking over management on acquisition. Getting the process right first time avoids costly delays and disputes.

LT Property Services and Right to Manage

We have supported RTM companies across Central London and beyond, from the initial qualifying assessment through to taking over management on acquisition day. We understand the process, the pitfalls, and how to make the transition as smooth as possible for leaseholders.

RTM SPECIALISTS

We guide leaseholders through the claim process and take over management on acquisition, providing continuity from day one.

ZERO COMMISSION

We do not earn commission from contractors or insurers. Our only income is our management fee.

ASSOCIATE MEMBER, TPI

We are Associate Members of The Property Institute, committed to professional standards in property management.

CLIENT MONEY PROTECTED

All service charge and reserve funds are held in designated client accounts with full CMP cover.

SPEAK TO US ABOUT YOUR BUILDING

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We are happy to discuss your situation in confidence, with no obligation.