

Backbench Business Committee

Oral evidence: Backbench Business

Tuesday 4 July 2023

Ordered by the House of Commons to be published on 4 July 2023.

Watch the meeting

Members present: Ian Mearns (Chair); Bob Blackman; Patricia Gibson; Chris Green; and Wendy Morton.

Questions 1 to 8

Witnesses

[I](#): Helen Morgan.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Helen Morgan *made representations.*

Q1 Chair: Good afternoon, and welcome to the Backbench Business Committee. We are not inundated with business this afternoon, but we have one important item: an application from Helen Morgan. Helen, your application is about freehold estate management fees. Welcome, Helen—over to you. Why would you like a debate about freehold estate management fees?

Helen Morgan: Thank you very much for hearing my application. This issue has come to my attention in a number of different instances across the constituency of North Shropshire. People buy a new freehold house, and the roads and sometimes the sewerage arrangements are managed by a shared management company, which charges back costs to the freeholders.

The commercial substance of that is very similar to a leasehold and there are no restrictions on the fees charged to the freeholders. They become trapped into paying exorbitant management fees without any real legal remedy, other than taking the company to court. Obviously, having just purchased a house, they are unlikely to have—

Q2 Chair: That is the leaseholder?

Helen Morgan: No, they are a freeholder but there will be a shared management company that owns and manages, say, the maintenance of the road or the cutting of grass in the shared areas.

This is a huge issue in my constituency and affects people who have bought from nationally recognised builders as well as very small local companies. It is colloquially known as a “fleecehold arrangement”. Often the management company will contract out its services to a connected company that charges an enormous amount of money and then passes those costs through to the freeholders.

I have a lot of support from Members on both sides of the House for this debate, but interestingly they are also very well spread geographically. The issue is not specific to either urban or rural areas—it is becoming a common practice across the whole country. Councils are perversely incentivised to grant planning permission to such arrangements, because they do not have to maintain the shared spaces once the development is completed, so the arrangements are becoming more and more common.

Obviously, leasehold reform is on the horizon in Government-led legislation, so it is important to highlight these people, who are in the commercial substance of a leasehold but the legal form of a freehold, to try to get reforms that cover the problems that they are experiencing by bringing examples to the Minister’s attention and highlighting the concern of many MPs.

Q3 Chair: To ask a technical question, does that mean that a road in such a



HOUSE OF COMMONS

development would be an unadopted highway?

Helen Morgan: That is right, yes. For example, there is a development in my constituency where the road and sewage pump are unadopted. The owners of those homes are having to pay exorbitant amounts of money to make sure that the sewerage arrangements are brought up to scratch and try to get the road into a condition where they can ask the council to adopt it.

Chair: Thank you very much indeed; that was useful.

Q4 **Bob Blackman:** Obviously, the arrangements around leasehold have often been debated, but I do not believe that this has been debated as a separate issue—not to my knowledge, although it may have been debated some time ago. Do you have any knowledge of any other debates about this specific element?

Helen Morgan: As far as I am aware, there has not been a specific debate on “fleecehold”. I have raised it in debates on leasehold reform, but I think it would be useful to highlight this specific issue to try to make Ministers aware that we would really like this to be considered as part of leasehold reform.

Q5 **Bob Blackman:** You have made a request for a 90-minute debate in either the Chamber or Westminster Hall. We have a 3 o’clock slot on Thursday 13 July in Westminster Hall. Would you be able to take that?

Chair: That is a week on Thursday.

Helen Morgan: Yes, I would—thank you very much.

Chair: You never know—you may find an offer winging its way to you. Obviously, we have to decide that in our private session though. If there are no further questions, that brings to an end our public deliberations.