HOUSE OF COMMONS

Housing, Communities and Local Government Committee

Oral evidence: Property Management Companies, HC 980

Tuesday 17 June 2025

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Watch the meeting

Members present: Florence Eshalomi (Chair); Lewis Cocking; Chris Curtis; Maya Ellis; Mr Will Forster; Naushabah Khan; Andrew Lewin; Mr Gagan Mohindra; Joe Powell; Sarah Smith.

Questions 1 - 64

Witnesses

I: Lord Best, Former Chair, Regulation of Property Agents Working Group; Halima Ali, Co-ordinator, Home Owners Rights Network; Beth Rudolf, Director of Delivery, Conveyancing Association.

II: Andrew Bulmer, Chief Executive Officer, The Property Institute; Dan Turnbull, Senior Director of Markets, Competition and Markets Authority; Martin King, Managing Director, FirstPort; Councillor Carys Thomas, Leake Independents, Rushcliffe Borough Council.

Examination of witnesses

Witnesses: Lord Best, Halima Ali and Beth Rudolf.

Q1 **Chair:** Good morning, and welcome to the Housing, Communities and Local Government Committee. I am Florence Eshalomi, the Chair of the Committee. This morning, we are looking at the issue of property management companies. Can I ask my Committee colleagues to introduce themselves, please?

Maya Ellis: I am MP for Ribble Valley.

Naushabah Khan: I am MP for Gillingham and Rainham.

Chris Curtis: I am MP for Milton Keynes North.

Andrew Lewin: I am MP for Welwyn Hatfield.

Joe Powell: I am MP for Kensington and Bayswater.

Will Forster: I am MP for Woking.

Lewis Cocking: I am MP for Broxbourne and am also a leaseholder.

Chair: Can I ask our guests to introduce themselves, please?

Halima Ali: Good morning. I am from the Home Owners Rights Network.

Lord Best: I am an independent Cross Bencher in the House of Lords.

Beth Rudolf: I am the director of delivery at the Conveyancing Association, co-chair of the Home Buying and Selling Council, and lead on the Digital Property Market Steering Group's digital property information protocol.

Q2 **Chair:** Thank you. It is fair to say that the issue of property management is one that fills the inboxes of many of us as MPs, and probably those of peers as well. When they are run well, it is fine and residents and leaseholders have a good service, but far too often we are seeing cases where a number of residents and leaseholders are complaining about the level of service they are receiving from their respective property management companies. I just want to start off with quite a general question to you all. How reasonable do you think management companies' current rates of service and related service charges are?

Lord Best: They vary enormously, is the short answer. There are some really good agents who give a good service, everybody is happy, and there are no complaints to you; and then there are some absolute rascals who totally abuse the system, have no qualifications, do not accord to a code of conduct and rip off their customers. It is an unregulated sector, hence the Regulation of Property Agents Working Group—which I have the honour to chair—produced a report saying, "Let's regulate. Let's do the job properly."

Beth Rudolf: Certainly, from the conveyancer's perspective, we only see them when the property is being sold, and we see huge problems there with the provision of the information in a reasonable time and for a reasonable price. They delay the transactions by 57 days from when payment has been made for the information that is necessary for the consumer to proceed. Under material information, that information should be obtained by the seller when the property goes on the market for the estate agent to put it on the advert, but trying to get that information blocks it.

We have also recently had the National Trading Standards guidance on material information pulled, which has caused a massive problem, because the agents believe that that means they do not have to comply with it any more. We had up to 70% of them complying with it, but I am now hearing that those companies that were providing the information and gathering it for the agents are seeing a 70% drop-off on that information being obtained. When you have the blocker of the delay and the cost in obtaining that information—we see packs being charged out at £500—and also a blocker in that competitors are saying, "We're not going to charge you that; we'll just put it on the market and take any issue that comes out of it," the information is just not being provided.

As a consumer, you are interested in the property—it is like property porn and you are trying to find out all the information about it—and once you have your offer accepted, loss aversion applies. At that point, anything that comes up is more of a challenge than anything else. It does not put you off. The difficulty is that it means that you will proceed, even if the service charges are absolutely huge. That said, I have a colleague who is an estate agent working in Fulham, and he said that people are just not buying leasehold any more because they are so worried about the service charges. One has been on the market for a year, and its £7,000 service charge is putting people off unless there is a share of freehold.

Halima Ali: When it comes to estate charges, we actually cannot say with certainty that the fees are unreasonable, as there is no transparency in the fees that are being charged. We have evidence that an average of 45% of the total charge goes to the managing agent in fees, and that does not include non-service costs—such as insurance, risk management, accounting fees and postage stamp—plus any legal fees that may be incurred defending themselves against action by residents. When residents get frustrated, we are left with around 35% of the total being spent on contractors doing the actual groundwork.

Q3 **Chair:** The Landlord and Tenant Act 1985 states that a landlord can charge service charges "only to the extent that they are reasonably incurred." In your view, do you think that some charges are reasonably incurred, or are you finding that in some cases, the works have not even been carried out to a reasonable standard?

Halima Ali: There is absolutely no standard in what these managing agents are doing. They are not accountable in any sense and are behaving like cartels on these private estates. I just make the point that these charges often rise when developers leave the site, often unfinished and at substandard levels. If you are asking me how reasonable they are, every time I have to pay my managing agent, I feel angry, like I am being cheated, and powerless to do anything with my management company because they have a lot of control over my property.

The thing that is not being discussed is the devaluation of our properties. We are focusing on the fees, but we are not looking at devaluation from what this system is doing, because we have these burdens on our properties.

We are really concerned about the two-tiered housing. The current trajectory this Government are heading towards will result in my property being devalued and we will have problems selling our homes in the future. We are really concerned about this at Home Owners Rights

Network, especially for those of us who are trapped. We know that estates will eventually be adopted, and that is going to put us in a two-tiered housing system. I also put on record that even the most stringent regulation will not resolve the problems of devaluation, because people simply do not want the stress. They are not buying their homes to become estate managers.

Our other concern is that there are a further 3 million people who are likely to be trapped by the system on these hollowed-out private estates, because the Government have promised to build 1.5 million homes, and we are saying this constantly. We do not feel the Government are taking the right step.

Lord Best: It might be worth clarifying that the Regulation of Property Agents Working Group looked at estate agents, lettings agents for private rented property and managing agents of leasehold property. We did not do very much—although we should have—about the homeowners whose common areas are the cause of the problem, and the need to have an estate management company.

Those estate management companies that do not really have any rights at all are a separate bunch. There are at least some structures for leasehold occupiers, but for the estate management company residents—the homeowners who live there—there is really nothing, and that should be brought into the equation. We omitted them because they were different. It was not the properties themselves; it was the unadopted common areas that were the reason for the estate management company.

Halima Ali: I just point out that we have documentary evidence of homes being of lesser value than properties that do not have a burden placed on them.

Q4 **Chair:** We will come to that. Earlier this year, there was a debate in Westminster Hall on the issue of residential management companies. Minister Matthew Pennycook outlined that for those who have faced issues, there has been "poor service and abuse at the hands of unscrupulous managing agents…as well as limited to no transparency about how the charges...are spent, onerous restrictions placed on title deeds of their properties, and a general lack of control over how their estate is managed." Lord Best, you alluded to the issues around regulation in this area. In your view, do you feel that this has been too slow, and would this address some issues being faced now?

Lord Best: It has been incredibly slow. It was in 2018 that we delivered our report. Government then said they were keen on the idea of regulation and asked us to look at how you would do it. That was six-plus years ago. It has been a constant, "When parliamentary time allows—soon, shortly, in due course." We have had everything over the years; it has just never been a priority. Meanwhile, people get ripped off. I could add to your list that there are add-on commissions of 65% of the cost of insurance for the work of the agent, which might have taken half an hour.

There is the cost of permissions. As a leaseholder, if you want to change your front door, you have to pay for that permission to be granted. The list is very long, and we could not possibly write an Act of Parliament that covered everything. What we could do is have a regulator that covers everything.

Beth Rudolf: The codes are already written; they are already there. We get a lot of kickback on the basis of cost of regulation of property agents, but when you think that to become a member of Propertymark or The Property Institute, it is less than £300—that is how much managing agents are charging for a notice to be receipted. This notice is just telling them who the new leaseholder is, but they are charging £300 for that. That would get you the membership fee for either of those representative bodies, so it is not huge. I am regulated by the Council for Licensed Conveyancers and the Chartered Institute of Legal Executives. Neither of those costs me more than £400 a year to be a member and be regulated by them. It is not a huge cost.

Q5 **Andrew Lewin:** Buying your first home in particular should be a moment of such great excitement for people. Often, they have waited and saved for 10 or 15 years—or even longer—to be able to do it. Beth, as you have already touched upon, we all hear so many stories of solicitors not providing that vital information to prospective homeowners. You have talked about blockers and the cost of the packs. My key question is: do you think this in particular needs more regulation? If you do not mind, Beth, we will start with you, but I am interested in the views of the whole panel.

Beth Rudolf: Just to be clear, it is not that the solicitors do not tell the buyers. We do—we send them pages and pages of reports—but by then, they are committed to buying the property, have worked out where their sofa is going and where the kids are going to school. What the law says is that they should be provided with that information when they are thinking about viewing the property, and that is key, because at that point they can assess the affordability.

The difficulty is that a lot of this information is held by the lease administrator or the managed freehold administrator, and they do not provide that information in time for it to go on the adverts. We are also not getting any enforcement of estate agents providing that. They have been supposed to do that since 2008. I went on ChatGPT this morning to find out what the average fine was. There is nothing. Even ChatGPT cannot find it; there is no indication of how much the fine is. So there has been no enforcement there.

The other issue we have is that any enforcement that is there through the law is not beneficial to the consumer. You think that if you do not have an EPC, then the property should not be let. Well, if it does not have an EPC, the only thing you as a tenant can do is complain, but you do not get any benefit from that complaint. It is the same with getting your deposit protected. The only thing there is that you will get your deposit back.

The only other thing for houses in multiple occupation is that a Section 21 notice cannot be served, but what difference does that make? This is not providing the safety that we need. Until we get regulation, it is not going to deliver it, and until we take it out of the public purse and put it into the regulated industry, then there is no cost available to enforce these.

Q6 **Andrew Lewin:** Beth, just to you quickly on regulation, are there other countries that do this well that we can take inspiration from?

Beth Rudolf: When you look at the strata system in Australia, and we have all looked at Norway and the regulation that they have there, these improve the process.

Q7 **Lewis Cocking:** I just wanted to come in there, Beth. What information do conveyancing tell people when they are going to buy one of these leasehold properties that has a service charge? What information do you provide to them and how well do you point out the potential charges and all the rest of it to buyers?

Beth Rudolf: When I was in practice, I would get the contract pack from the seller's solicitor. I would then do a report to my client outlining all the key things. Then, when I got in the local search result, I would report to them and highlight any difference between the information in the search report and the information in the lease report and contract report. I would then get the information on the seller's TA6 form, and I would go through that. There is also a TA7 to deal with the leasehold, which I would go through and report to the client on. So you can imagine how much this client was getting. At the end of that, they had to decide whether they wanted to go ahead.

By the time we get to that stage, they already have their mortgage under way, have paid all that money and are committed to buying that house emotionally. The reality is that all that information should have been provided when the property went on the market because that is when they can consume it. The material information required under the Digital Markets, Competition and Consumers Act 2024 should be provided on the advert for the property; that way, people can consume it in a way that they understand it.

Q8 **Chair:** Is that happening on every occasion and every sale?

Beth Rudolf: It is not happening at all. It is not being enforced because agents are not regulated, so it does not happen. As I said, ChatGPT could not even find a fine that had been made because somebody had not done it.

Q9 **Lewis Cocking:** I think conveyancing is part of the problem. I do not think you guys are as transparent as that. I do not think you guys in your association will tell people what they need to know when they are buying the property. I can understand that a few people might not know, but I will have whole estates write to me that have gone through multiple solicitors, conveyancing and what have you. They will all tell me when they went through that process, the solicitor or the conveyancer did not point out, "These are the service charges, this is how much it could go up," and all the rest of it. Sadly, I think you are part of the problem because you are not being very transparent when people are buying the properties.

Beth Rudolf: The problem is that it is hidden in plain sight. We provide all the information to them, but they are so swamped with information at that point—they have the mortgage going on and all the removals to organise—that they do not actually consume it. I looked to see if there were any complaints to the Legal Ombudsman on this and what level of complaint it was, and I could not find a huge number of complaints. If all these people are finding that they have not been given that information, they have the regulator and the Legal Ombudsman to complain to, and we would see that in the trade press, but we are not seeing it.

Lord Best: In our working group, we had a solution to this, which was standardised documentation so everybody gets a very clearly set out statement. How many people who buy know exactly whether there is a sinking fund that has been storing up money or they are suddenly going to be lumbered with a huge bill? They do not even know how much is left on the lease. They may have been sent it but have not read it. They have seen that the service charge does not look too bad, but they do not have a clue what it does and does not pay for and what is going to happen tomorrow. So we went for standardised documentation and accounting that sets it out and gives everybody the same information at the beginning.

Chair: In plain English.

Q10 **Andrew Lewin:** Perhaps this is one for you, Halima. This is a really important debate about what people are aware of at the point at which they buy their home. But there are also far too many stories of people believing it is affordable then, but five years on, you have had a series of increases in prices that are significantly above inflation. It is not possible for any organisation to tell you with certainty what costs are going to be, but you spoke earlier of people feeling trapped, and I have certainly heard similar stories. I am interested in your view, and the view of anyone else on the panel, about how you can say to people, "Look, there is a reasonable likelihood of costs rising by X amount and you need to be aware of that at the start of the process."

Halima Ali: Nothing like that is explained at all at the point of sale. What our members are reporting—even from my personal experience—is that we were just told that it is just to keep the estate tidy, just to cut a bit of grass. So with all the other liabilities that come with living on a private estate, the fact that we are paying to maintain public open spaces was not made clear to us. We were not made aware that these burdens were going to be tied to our properties as well, which is so upsetting. I would like to specifically point out that I have members who have come to me saying, "I've spent £300,000 on my property just to become aware that it can be repossessed by the managing company."

In terms of the average, and what you are saying about costs starting small and then going up, we have a database of 988 developments, including at least 217,000 households. The annual fees range from around £100 to £1,000, with the average being around £300. So there is a huge variation, and the sudden increases—

Q11 **Chair:** Is that per annum or per month?

Halima Ali: Per annum. We are also finding that very small developments are often paying more. If I talk about my private estate, it is coughing up around £25,000 per annum to have the grass cut on a field that is half the size of a football pitch.

Beth Rudolf: When we were working with the working group for Lord Best, something that was identified was that most of the agents would have an estate management plan that was five years so that they would know what the payments would be for those five years. That is why the sinking funds were set for those longer-term expenses as well. It would be totally reasonable to expect that there should be an estate management plan set out for five years.

Lord Best: Absolutely. It would be part of the standard documentation that we have.

Q12 **Chair:** You suggested that?

Lord Best: Yes—standard documents so everyone knows where they stand, including showing the plan. "When is the lift going to have to be replaced? It's going to cost £55,000." "It's in four years' time, I'm afraid, and this is what it's going to cost." It needs to be set out at the beginning. Nobody ever understands what it is they are letting themselves in for.

Q13 **Mr Forster:** I want to focus a bit on reasonable charges, which we have already started to talk about. Lord Best, you have said some property management companies are rascals. Halima, you said some operate like a cartel. Do you have examples of best practice of reasonable charges, where genuinely that is a reasonable charge and what we want to promote? Do you also have some worst-case, awful examples where those companies are ripping people off? The £25,000 for cutting grass in an area the size of half a football pitch is disgraceful and a good example, but can you give the Committee some good examples and awful examples of how "reasonable" is interpreted by these companies?

Lord Best: Halima has some good examples.

Halima Ali: I have not come across any reasonable examples in these 15 years that I have been trapped in this situation, but I can pinpoint what we are dealing with. I have written it down.

Q14 **Chair:** Just to interrupt you, Halima, you say "trapped". Do you feel that if you were receiving a level of service, residents would expect to pay reasonable charges for that? Are you saying that even though the charges are excessive, they are good services that you are receiving?

Halima Ali: Absolutely not, and we should not be paying for public open spaces. If it was made clear to us at the point of sale that these are public open spaces where residents do not have an exclusive right, I am pretty sure people would have refused to buy these properties.

Beth Rudolf: On the cost of the activities, I went out to the Conveyancing Association members to say, "Can you let me know if there are any particular ones out there?" We did a survey and used data from one of our members'—one of the largest conveyancers—case management system, and it showed that 98% of notice charges were unreasonable. The figure we set as reasonable was £100 an hour, and that was back in 2017.

What we are seeing now is that FirstPort and Estates & Management—two separate companies on the same leases—are charging £390 for a notice fee. That notice takes 15 minutes to record on their system who the new leaseholder is. They charge an additional £390 for a notice of charge, to write down which mortgage company it is. On top of that, Estates & Management—which deals with the ground rent—charges a similar amount. So if you want unreasonable fees, these are across 98% of the transactions, and FirstPort and Estates & Management are the worst that we have.

Halima Ali: I just need to clarify what is going on here. We are private estate dwellers, and there seems to be a lot of conflation with leaseholders. We are not leaseholders. Leaseholders also have to pay a service charge like us. They do not have access for estate charges to go to the FTT just like us. When they manage to sort their issues out—if they ever do—they will find themselves stuck in the same situation that we are stuck in. Our issues are related to land and property, while their issues are to do with tenure. This conflation is causing a lot of confusion about how we are being looked at.

Q15 **Joe Powell:** I have a follow-up question for Halima. If the state remains unadopted, would you support extending the right to manage to those roads or unadopted parts? Would that be helpful?

Halima Ali: We recognise that there are two types of estates overall: those with public open spaces, and smaller estates where there is no public right to access or public spaces. Some residents have come to us from smaller estates and said they would like to continue to keep it managed and private, possibly to do with parking issues. We think that is reasonable, but in bigger estates we would prefer that be adopted by the local authority.

Lord Best: We had a couple of ways in which one could improve practice. One would be for the regulator to issue a lot of advice and norms. The norm is £100 an hour, not £390. Where people are selecting their own managing agents, they can see what the norm is, what good practice looks like, and compare what they are getting with what the regulator says they should be getting.

The other is that we would have codes of practice that determine your behaviour: one overarching code about the good principles of transparency, honesty and so on, but then a detailed one for letting agents, a detailed one for estate agents, and a detailed one for managing agents of leasehold. So codes of practice would set out the norms of good behaviour, and what good behaviour looks like.

Beth Rudolf: The reality is that actually the delivery of the enforcement of that regulation is much more efficient. When you look at the first-tier tribunal, it is completely overwhelmed; it takes about 18 months for a case to be heard. With the regulators though, we are looking at three to four months for the Solicitors Regulation Authority, if they get a complaint, and it is far less for the Legal Ombudsman. Sometimes, it is just a phone call from the Council of Licensed Conveyancers to find out what has gone on and why. So that private regulation makes a huge difference.

Q16 **Mr Forster:** We all in the room probably agree that we need to regulate the system. The fact that we as a country have allowed a wild west to operate on property management companies, and customers cannot pick and choose businesses is particularly unfair. Can I ask Lord Best—but I would welcome other thoughts as well—why you think we have allowed this system to develop unregulated?

Lord Best: There is a lot of vested interest, and people have done very well out of a system that is very confusing. Mis-selling—not telling people the full truth about what they are taking on when they buy—is common practice. This has gradually developed and needs to be stopped. We need to get on top of this. We have the Leasehold and Commonhold Reform Bill coming down the track. This is a chance to get in there and have the legislation and framework that we need.

Halima Ali: Can I just point out that the sheer abuse that is taking place in private estates is astounding and a massive headache for residents? Many of our supporters say that they are being bullied and abused by managing agents, such as FirstPort, Greenbelt, Anchor, and many more. We feel that we are being defrauded.

Chair: We can put some questions to managing agents later, Halima.

Q17 **Naushabah Khan:** I am sure others have had this too, but my inbox has been inundated with queries around disputes over service charges, particularly with leaseholders. I would be really interested to hear from the panel what you think about the transparency that exists over the current fees and related charges, and how easy it is for leaseholders to be able to actually resolve the disputes they have around fees and charges, where there are those.

Halima Ali: I cannot speak about leaseholders because I am not an expert in that area, but for us there is absolutely no transparency at all. I have been trying to get my managing agent to sit down and talk to me for 10 years. I have even visited the head office and spoken to the managing director myself, and it just does not go anywhere. Once we try to challenge them, we are just threatened with debt collection or the arbitrary fees that are being applied to our account, and that just sets things off. It upsets people and some people start to withhold payment because they do not want to pay for something when there is no transparency about what they are paying for.

Lord Best: At the end of the day, we pass all these laws, there are all kinds of protections supposedly in place and you can go to the first-tier tribunal, but without proper enforcement of the legislation and an agency that is there exclusively to enforce the law, things do not happen. This is why actually having a regulator is really important.

I have an anxiety that the Leasehold and Commonhold Reform Bill is going to have some good extra rights and will enable people to do some things that we are talking about, and require qualifications—it might even say there should be a code of conduct—but not go the whole hog and have a regulator. We need that to enforce the measures that we are all so keen on. Do not leave it to the tribunal, the Legal Ombudsman or anybody else. Have an agency that is there to enforce and license the agents.

Halima Ali: Can I just add to what Lord Best says here about the LAFRA? It does not implement any of the recommendations that Lord Best has made. It adds more work for the FTT by adding in estate charges, but there is no other enforcement of any voluntary industry code. Putting a code of practice into statute is very inflexible and costly to enforce, so it is actually costing more money. It would be in every consumer's interest for an independent regulator to do most of the enforcement.

So we are in agreement with Lord Best's report and agree that there has to be some regulation as opposed to none right now, with the sheer abuse taking place. What we are saying as HorNets is that we are happy with regulation—especially when it comes to larger estates—but it has to be a stepping stone to adoption. We are asking Government to start communicating with local councils to find a way to get us out of this situation.

Q18 **Naushabah Khan:** I just wanted to unpick that a little further. Obviously, we have the Leasehold and Freehold Reform Act 2024 coming forward, and I appreciate the calls for regulators, which is really helpful to understand. But prior to that, is there anything else that we need to be building into this system? Because of course you reach a point where there is no further place that you can go. At this point, do you feel that there is enough of a process that exists that enables people to have a fair option when it comes to dealing with fees and charges?

Halima Ali: No. We need regulation with teeth that is going to actually hold these managing agents to account. Currently that is not happening, and we are saying that it does not make sense to give us the same rights as leaseholders when it is not working for leaseholders already.

Beth Rudolf: I suggest that what needs to happen—whether it is estate management or letting a leasehold—is that we give the unit-holders the opportunity to control their destiny and homes with the public spaces and any shared amenities. We did a survey of commonholders; there are not a lot of them, and of those that responded, 78% were happy and 88% were happy with the amount they paid. When you look at the Propertymark survey on leasehold, 94% of leaseholders regret buying leasehold. We are listening here to what Halima has said; it is all a nightmare for them.

Yet when it comes to commonhold, we still have disputes: 22% had an experience of a dispute with commonhold, but the good news is that 75% were happy with the resolution of that dispute. The Commonhold Regulations 2004 have it all set out. It even says that the commonhold association does not have to enforce an issue if it thinks it would be more harmonious for the estate not to worry about it. So it does not have to take everything through; only the things that are causing issues to the majority. Would it not be nice to have 78% of leaseholders in estate-managed properties be happy?

Q19 **Naushabah Khan:** That is a shocking figure of 94%.

Beth Rudolf: It is, is it not?

Q20 **Chair:** Just coming back to the Leasehold and Freehold Reform Act, obviously one of the areas is around the right to manage for leaseholders. Do you think that the reforms outlined will address this?

Lord Best: We have commonholds becoming a reality. Although the survey showed commonholds doing well, there is only a piffling number of commonholds.

Beth Rudolf: There were 170 when we surveyed them.

Lord Best: Yes, this is not big time. But what we know from both right-to-manage and resident management companies is that when people are in charge themselves and can take their own decisions, things go better. They do not go perfectly though. A lesson from the past is that if anything can go wrong, it will go wrong, and you need to know the things that can go wrong in advance and build into the new commonhold system prevention and protection from those many things that will definitely go wrong—like the residents deciding, "Well, we don't think we need a sinking fund; we're not going to be here in 15 years when the roof needs fixing or whatever." You have to have a sinking fund; this is not going to be optional.

So we need to build the protections into the commonhold structure. Just abandoning people to do their own thing is not going to work. Lots of people will be intimidated by the idea of becoming directors of a company. Behind all this though, you need a regulator, because commonhold associations—as they are going to be called—need managing, just like anything else, and that needs the regulation of those managers, just as it does for existing schemes.

Beth Rudolf: But do you not think that if the leaseholders or commonholders are the ones choosing who is going to manage their estate, then those managing agents will be moving more towards customer satisfaction and reviews and making sure that everybody thinks they are great, rather than trying to cut costs through the back door? FirstPort paid out £11 million of dividends last year, so there is money being made there that could be reinvested back into those estates to deliver better to the unit-holders.

Q21 **Chair:** Would you not agree though, as Halima has outlined, that a number of the residents just want the relevant redress for the issues they are facing, and at the moment—by working with a managing agent—they are not getting that? Do you think that a form of right-to-manage for freeholders would address some of this?

Halima Ali: It would give us some form of control as an interim. It will be of enormous benefit—we agree there—because it will give us control and accountability over costs and value for money. However, it would not remove the onerous liabilities for unremedied defects in the substandard infrastructure, and some residents would have to carry the burden of an unpaid part-time job as directors. Our point is clear. People are not buying their homes to become estate managers.

There is also the issue with SuDS. These are infrastructures that benefit the whole community in terms of flood defence, but private estate dwellers are having to pay to maintain them. That is also incredibly unfair. Councils need to manage these as part of their local flood defence obligations and private residents should not be paying for this.

Q22 **Maya Ellis:** Just building on the conversation around the Leasehold and Freehold Reform Act, the Government have obviously announced upcoming consultations in a number of areas, including service charges, legal costs and consumer protection. I am interested in what issues you think should be most focused on within those consultations to make sure everything is covered.

Halima Ali: We are speaking with the civil service team and trying to shape it. We are advising them about what people are after. It should cover stuff like the reasonable fees and establish how people are being affected and how these remedies would help.

Lord Best: The Law Commission looked at all the things that can go wrong and all the things that might be put into it. They had 121 recommendations and Government have broadly accepted nearly all of them. We need a proper Act of Parliament that covers the waterfront. It is about standardising a lot of stuff so that people are not reinventing the wheel and doing their own thing separately all over the country—standardised practice and use of agents and therefore the need for a regulator behind those agents.

We must not abandon commonhold people and think that just because they are now in control themselves, that is the end of the story. For example, building safety—particularly with high-rise buildings—is a really onerous task that the managing agents have to perform. We want really good people doing it, and you cannot expect residents to comply with all the regulations on building safety. They need good agents, and that takes us to there being a regulator to enforce them being good agents.

Q23 **Maya Ellis:** Do you have anything else to add on those specific areas?

Beth Rudolf: No. We just specifically support the regulation of property agents for all the reasons said, but also the creation of reasonable fees. As I said, we have based our calculations on £100 an hour, which works out to be £160,000 a year once you push out that hourly rate. So it is not unreasonable, and yet we have so many things that are being charged out at an unreasonable rate.

Even a deed of covenant—which has not been required since 1995—is being charged out at £300. We have precedence to say that even where one is required, it should only be £80. The law says you do not actually need one, but people are getting charged for them and they will pay up because they want to get their title registered. They cannot register it without the deed of covenant because the leasehold restriction that the Land Registry put on there to protect that contractual right stops it from being registered, and it just creates an ongoing thing. So we would want to see that in any consultation.

Q24 **Lewis Cocking:** I just want to go back to something Beth said. I was asking around the conveyancing process and what information you give to the buyer, and you basically said, "We give them a whole load of information, wash our hands, and that—"

Beth Rudolf: No, we do not wash our hands of it.

Q25 **Lewis Cocking:** Hang on, I will come to something else in a minute. You basically say, "We give it all to them. It's their fault if they don't know where it is." But then you succinctly explained about FirstPort and another company charging £390 and what have you. When someone is buying a property, you could really be doing more in that process to point out the pitfalls of management companies and estate charges. You have succinctly explained it to us, so why are you not doing that to sellers who want to buy properties and instruct conveyancing people in your association?

Beth Rudolf: In one case, CPS wanted hundreds and ended up settling for £330, even though the lease only entitled it to £65. The solicitor had gone back to the managing agent and said, "No, your lease says £65, bring your fee down." The only way it could get anything was getting it down to £330 and agreeing to pay that because the buyer said, "I just want to proceed. I want to get in and move house."

In the end, it is not about us not advising clients. We advise clients, tell them what it means to them and ask, "What are your instructions? Do you want to proceed?" Generally, they say yes because that loss aversion has kicked in, they have spent all that money on getting surveys and their mortgage product fee, the legal fees and all those things, and they know there are no other properties available to them in the catchment for the school so they will just crack on.

Q26 **Lewis Cocking:** I have one quick follow-up. You said 94% regret buying leaseholds. Do you think you are doing enough to point out the pitfalls when people buy?

Beth Rudolf: We can only say to them, "Are you happy for us to exchange contracts?" and if they tell us to exchange contracts, that is what we have to do. We are regulated, and our regulator ensures that we act in the best interest of our client. If our client says to us, "I know it's not in my best interests but I still want to proceed," we have to do that.

Chair: We are going to come swiftly on to regulations now.

Q27 **Joe Powell:** Lord Best, you already mentioned a couple of things that you might have added to your report over six years ago. Could you just outline whether there are any other things that, if you were redoing your report today, you would now include?

Lord Best: It has stood the test of time pretty well. We had the backing then and still get the backing from the Conveyancing Association, RICS, Propertymark, The Property Institute—which you are going to hear from later—the Property Ombudsman, the people who provide training and CPD, and so on. Everybody has stayed firm throughout this six-year break. No one has reneged on the agreement that this is what is top of the list of changes that we need. I will not say I would not change a word because we would certainly do more on estate management companies, but it is still a pretty good read if anyone has the time. You will find it online.

Q28 **Joe Powell:** With this relatively new Government, have you met with Ministers to discuss your report findings? Are you confident they will be taken forward?

Lord Best: I have. I have met with Matthew Pennycook, who has been very sympathetic. He says that he is very keen to professionalise the sector, and that I should be patient and wait for this Bill to come through.

Chair: We are all waiting patiently, Lord Best.

Q29 **Joe Powell:** Finally, several of you have referred to some other changes in the last six years; things like the Building Safety Act 2022 and Awaab's law coming into force in October. How do you expect the new regulation of managing agents to interact with those other changes that have been made to housing sector regulations more broadly?

Lord Best: We have also had the boosting of the Regulator of Social Housing and the Housing Ombudsman Service and the requirement for qualifications, which has come through for the housing associations but not the private sector. You would think we might put the private sector first—people who are a bit more exposed. But we have done the social housing sector and there is now a relatively elaborate set of regulatory and ombudsman redress functions already there. We have not caught up for leaseholders in the private sector, letting agents, managing agents of leasehold property, and indeed estate management companies, so there is catching up to do to be the same as the social sector.

Chair: Just going back to when we will see the legislation, you will recall that in the King's Speech, the Government committed to a Leasehold and Commonhold Reform Bill by the end of 2025. Like I said to you, Lord Best, we will wait and hopefully that will come through.

I thank the panel members for attending this morning and we will move swiftly to our second panel.

Examination of witnesses

Witnesses: Andrew Bulmer, Dan Turnbull, Martin King and Councillor Carys Thomas.

Q30 **Chair:** Welcome to our second panel in this Housing, Communities and Local Government Committee session looking at property management. Can I ask our guests to introduce themselves please for *Hansard*?

Dan Turnbull: Good morning. I am the senior director of markets at the Competition and Markets Authority.

Councillor Thomas: I am a ward member in Leake ward in Rushcliffe Borough Council, and a councillor.

Martin King: I am managing director of the FirstPort Group.

Andrew Bulmer: I am chief executive of The Property Institute, which, just to be clear, is a professional body with 7,000 members, 360 firms that manage 1.5 million leasehold, build to rent and Scottish freehold properties. I will leave it there; others will come up in conversation.

Chair: I am sure you have heard some comments and questions in the first session. We are going to move on to local authority adoption and regulation of estate charges.

Q31 **Maya Ellis:** Dan, I will start with you. The Government suggested that the Leasehold and Freehold Reform Act addresses the majority of the principles outlined in your report. Do you agree with the Government's assessment?

Dan Turnbull: When we opened our house building market study, we invited people to comment, and the single issue that we received the most comments on—over 250—was on estate management charges. So we know that this is something that is really important to people. It is also something that is clearly becoming more prevalent. We checked in with the 11 largest house builders and over the previous five years, 80% of their new projects had been put under this estate management model. So it is clearly becoming much more prevalent and unless something is done to address that, will continue to grow into the future.

In the previous session, Ms Ali very clearly set out some issues that people face, but I will just summarise what we found. We found that homeowners may be poorly informed about important details relating to the arrangements and their long-term implications. The unadopted amenities may be constructed or maintained to a poor standard. Bills that people face can be large and unexpected and increase into the future in a large proportion; in some cases, we found that up to 60% can go on management and admin fees. It is very difficult for homeowners in many cases to monitor the quality of the work, what they are getting for their money, and in particular if they want to challenge that or to switch management company. In some cases, we found it was virtually impossible for them to do so.

We set out two broad sets of recommendations to tackle this. The first was recommendations for actions Government should take to reduce the prevalence of this type of arrangement. The second was recommendations to protect people living under estate management arrangements, and what the Act does is provide some protections in that second space. Our sense is that these provide a useful foundation for freeholders to be protected, but we think that there are some areas where the Government could go further to provide protections.

I will just pick out two of those key areas. Because we were looking at new house building, one is the information that is provided by house builders to people at the point when they are looking to make the purchase. Ms Rudolf made the point very clearly about loss aversion; we think that is important, too. We think that at an early stage in the process, house builders should be required to inform people about the nature of the charges—what they will cover, what the first year of charges are likely to be—and to be really clear that those charges can be potentially uncapped and can increase in the future. They should tell people what their potential rights of redress are under this, and what their ability or non-ability to switch away from that company would be.

That brings me to my second point, which is allowing no-fault switching or making that easier. We think, in many cases, that this is just too difficult for freeholders to effect, and in all markets that we look at, we would much rather that if competitive pressure can be brought to bear to discipline the market, that is often more effective and has less unintended consequences than regulation. But an absolute key part of that is that people are able to switch when they need to. We saw that around 20% of the arrangements that we looked at were what are called embedded management companies, where it is stated on the deed that this management company will be the management company. In some cases, it seemed—as far as we could see—impossible for anyone to make the switch. Some that we looked at even said that there is no right for homeowners to switch away, even if the management company does not fulfil the obligations that it is supposed to.

Q32 **Joe Powell:** I have just one brief follow-up, Dan. Have you considered the issue in this market where you have a very small number of very large managing agents—including FirstPort—that are largely owned by overseas private equity? It has over 400,000 units and then every other competitor is relatively tiny. From your perspective, how is that a fair market?

Dan Turnbull: Our market study was into house building rather than into estate management, so we did not consider those structural issues in that sector. But one of the key points that we would bring out—particularly when we are looking at redress—is the imbalance of power that there can be. We would find that where you have larger, more well-resourced companies, that imbalance of power is likely to be greater. So that is something that would concern us.

Q33 **Chris Curtis:** You talked about the 20% of embedded management companies. As far as I can see, there is a significantly larger section where there is effectively a resident management company, but the directors on the board of those are from the developer and that process never gets handed over. So it is still effectively impossible for that management company to be removed by the residents; I have this issue in my constituency. Do you have evidence of how much of a problem that is and any thoughts on how that might be solved? That is going to have to be regulated differently.

Dan Turnbull: We do not have quantitative evidence of the extent of that issue, but certainly we did find areas where resident management companies did have exactly the type of issue that you are talking about. So we would not say that those problems are restricted to embedded management companies.

Q34 **Chris Curtis:** I will come to you next, Carys. The best way of solving this problem is to minimise the extent to which it becomes one in the first place. Not specifically on leasehold, but particularly on the leasehold/freehold problem, we seem to have an increasing number of bits and pieces on these new-build estates that are not being adopted by local councils. Why do you think that is?

Councillor Thomas: There are several reasons. In our council, it started in about 2011, when the council came to the conclusion that the commuted sums were not enough and there were other pressures on the budget because Government funding for the councils was coming down, so it made a policy decision that it was no longer going to adopt a commuted sum. I should explain that the views that I am putting forward are the views of myself and my fellow ward members. Councillor Way is in the back there—she wrote our response to the CMA consultation, so they are our views really, not the council's.

Since we became councillors, our caseload has been dominated by this issue. People are in real misery, anger and frustration at the situation that they found themselves in. They bought their houses, they found out about these management charges and their dreams have been turned to ashes, basically. We will be dealing with a new case every week, so we have been trying to get the council to change the policy. You would imagine, wouldn't you, that if estates could be maintained in the past from council tax, then new estates that are getting more council tax should still be able to maintain them? What has changed on the estates is there are more public utilities being provided. So it is not just the odd little piece of grass in the middle; it is country parks, car parks, sustainable drainage units, footpaths, large play parks, whole areas of large resources—all these things. They were not in previous designs of estates, but they are being provided by the developers within the estate rather than by the councils in the community. So that is another issue, but some charges could be designed out in estate design if that was wanted. Those are a couple of the reasons.

Q35 **Chris Curtis:** Do you think there should be better guidance from Government or do you think councils should be better at adopting more, or working out an increasing amount that they can adopt?

Councillor Thomas: Councils should be adopting; it should be mandatory for councils to adopt. The other reason that our council says it does not adopt, or does not even consider it, is that the developers do not want them to be adopted, but making it mandatory would stop that on both sides. Rushcliffe is a very rich council—if any council could afford to adopt public estates it is Rushcliffe, but it is not going to do it if it is the only one that is doing it. It has to be legislated that adoption is mandatory.

The leasehold situation is desperate, I know, and it needs to be resolved, but these are not leaseholders; they are freeholders. They have bought their houses. They have bought the land that their houses are on. They are not paying for communal facilities for a small group of people in a block of flats or in a small group of houses or a gated estate; they are paying for public amenities. For instance, we have a footpath that is the prime access to a school and that is paid for by one estate. The sustainable drainage ponds are paid for by residents on an estate, but they are not the ones that benefit from them. The people downstream benefit from them. If they fail, it is not going to be the people on that estate that are affected, but the people downstream of them. Sorry, I have said too much.

Q36 **Chris Curtis:** It seems like there are two issues that are causing problems here. One is local government finance—the lack of money in local councils means that they would quite often be comfortable not taking these on because they cannot afford it. The other one is the planning process, because ultimately, I assume you could use the planning process to remove many of these barriers, ensuring that there are things put in that the council could afford to adopt. Do you think there is more that could be done in the planning process to inevitably protect consumers from some of these charges?

Councillor Thomas: There is more that could be done in the planning process, but on the whole, there is not much that councils can do until legislation is changed to make it mandatory. Councils could ensure that Section 106 agreements do not include these embedded management companies where the land is given to the management company. Because our estates were adopted very early on, we have lots of estates in that situation and there could, at least, be the residents management company model, which is easier to adopt retrospectively. All existing estates should be adopted retrospectively, and if Government and councils wanted that to happen, you could make it happen. They just have to want it to happen.

As I have said, the other thing that councils can do is design out management charges. They could require the building of all amenities to be to an adoptable standard. One of the problems is that they can never be adopted by highways because they are built to cheaper standards, so in order to adopt them in the future, for whatever reason, they would have to be built up to their standards. But if they were built to adoptable standards to start off with, there would not be that problem and then, even if the councils are not prepared to adopt the whole thing, they ought to be adopting parts of it: the play parks or whatever. They ought to have ways to encourage and support parish councils and town councils to adopt the allotments, the smaller areas of play, and so on.

The other thing that really needs to happen is that the SuDS need to be adopted. There is a part of the Water Act that has not been enacted and I have been asking questions about this. The last Government said they would enact it, would set up SuDS boards and make sure that the SuDS were adopted. If the SuDS were taken out of the equation, it would be a lot easier for local authorities to adopt. The drainage ponds are technical, the equipment is underground, you need technical expertise to assess them and to make sure they are working properly, and the councils do not have that level of expertise. The equipment is underground: if it fails it will be enormously expensive to rectify and the residents will get a one-off bill for it. And it is not them that benefit from the SuDS; it is the rest of the community. So that is one thing that has to be dealt with.

Another thing is fly tipping and encampment. These are two things that really concern residents—that they are going to have to foot the bill to tens of thousands of pounds. All those things could be looked at, but actually what you need to do is make sure that they are all adopted. That is it. Just implement what the CMA has said on adoption.

Chair: I think the key issue is transparency of what fees are actually being charged. We are going to move on to estate charges.

Q37 **Lewis Cocking:** I have a few questions for you, Martin. You became managing director of FirstPort in 2024. What changes have you implemented at the company since you have been in post?

Martin King: First, Chair, thank you and the Committee for the opportunity to speak here today. It has been a busy 12 to 14 months. I joined last January, and I had been away from the industry for a couple of years. Certainly, in coming back and taking over the reins of FirstPort, there were obviously a number of areas that we needed to get better at. As an industry, it had obviously become very complex in the years that I had been away, and there were a number of changes that we had to put in place that made us fit for purpose in regard to the regulation that is coming down the track, as we have discussed today.

First, I am absolutely pro the regulation that is coming for our industry. We were not involved but we are certainly fully aware of Lord Best's work in 2018, which is excellent; we supported it then and I do now. Regulation is key, we have had a number of—

Q38 **Lewis Cocking:** Sorry, can I interrupt you there? I do not want waffle; I just want to know what you have implemented since you have been in charge of the company to make FirstPort better, please.

Martin King: To make FirstPort better in order to meet the regulation that is coming, one of the first things I did was regionalise the business. So we are now in four separate regions with operations directors that run each of those regions. We have completely reviewed our communication and complaints process and that is now in place. As mentioned a number of times today—I could not agree more—qualifications and training are absolutely vital in this complex environment. Much of the discussion today is about how complex it is. We have to have the right people with the right qualifications doing it, so for that, we have been working with TPI.

What I have asked for is our entire company goes through at least TPI level 2 and then beyond, depending on the complexity that they work on. I am pleased that at the moment we have over 1,000 individuals who have gone through that, and more are being pushed into level 3, level 4 and beyond. Many of the changes I have put in place are about ensuring the professionalisation of the business. That is the direction of travel for us as an industry, and I completely agree with that.

I know it has been mentioned a number of times that we are the largest, but we still only represent 5.8% of this entire industry. There are many other property management agents out there. Due to our size and capability, we are able to put in place many of the training needs, the qualification requirements and communication with our customers—transparency.

We have also included MyHome, a new online portal. Much of what we are talking about today is about communication and understanding. Residents who are in their homes need to understand what they are paying for and get that transparency. I launched MyHome last year—it is not even a year old as yet, but we now have about 50%, 60% of our customers on MyHome. We have 10,000 unique visits every single day, where documentation can be downloaded, people can actually look at their development, and we can communicate with them directly. That of course all helps much of what the conversation has been driven around today: understanding, transparency and communication with residents.

Q39 **Lewis Cocking:** Just on communication, are you happy with where it is now in the company then, with residents?

Martin King: It is a lot better than it was. We are communicating with our residents—

Q40 **Chair:** Are you measuring the fact that you are saying it is a lot better, Martin?

Martin King: We are. We have a number of KPIs, as you would expect, throughout the business. Those KPIs are from our pick-up rates for the phone, our first-time resolution. I am pleased that complaints into the business have reduced by 48% in the last 12 months. We have onshored our call centre, so we can then have a dedicated group in the UK that are trained sufficiently to answer the call and then resolve what are often complex questions. We measure as much as we possibly can. I track them, I would not say daily, but pretty much daily. I want to see those results coming through and I want to know our complaint rate, which stands today at 1.3 in every thousand customers that we have, which is about half the actual industry average. That does not mean—

Q41 **Chair:** Your complaints reducing to 48% is a good figure; would you say that is because your residents have stopped complaining and they are complaining to us as parliamentarians?

Martin King: Obviously, I have been to Parliament a number of times in the last six to seven months, and quite honestly that has helped the process for FirstPort. As Mr Cocking mentioned, I came in 12 months ago, and actually meeting the MPs and hearing the feedback from each of the different regions that those MPs represent has been extremely useful, and we have completely leant into that. In the last eight months. I have met over 170 MPs in Parliament and on the ground, talking to residents with the MP on a one-to-one basis in over 70 of those meetings. We are not shying away from communicating with our residents. I am certainly not shying away from the challenges that the industry has and that FirstPort is part of. I certainly want to ensure that what we put in place and what I am designing through FirstPort improves the whole industry, as well as, obviously, FirstPort's performance.

Q42 **Naushabah Khan:** It is really helpful to understand some things that you have put into place. How confident are you—I appreciate you have given some figures around your complaint system—that when residents have queries, they are getting the responses that they require, but also that their queries, particularly around things like service charges and fees, are being dealt with appropriately?

There is evidence in my constituency that I am aware of, where people—in the last 12 months—have still had issues where they have contacted the company to ask for queries around service charge and then been ignored. Or they are issued with warnings and have then started to receive notices and gone down a spiral of getting debt collectors, all the time while trying to resolve that directly with FirstPort. So while the figures are really helpful to understand, as managing director how confident are you in the story that this is actually telling?

Martin King: I am confident that I still have an awful lot to do. At the moment, FirstPort is in no way leading the industry, but we are certainly on that journey. The figures I gave earlier are good indicators that we are putting the plans in place, and I am putting those plans in place. Transparency and communication with residents is absolutely vital. Again, as has been discussed a number of times today, service charges are complex. People do not understand them. When are they informed about them and do they know what they are actually getting? All of that—

Q43 **Naushabah Khan:** Can I just come back on that though? I appreciate what you say, but I think it is slightly disingenuous to suggest that people do not understand service charges if they are not provided with clear breakdowns in the first place or it is set out clearly what they are paying for. Most people are able to make sense of a service charge, so I think that is slightly disingenuous.

Martin King: Clarity, openness and transparency in what those service charges are is absolutely vital. The whole education process of this as an industry is key. I have those conversations—I know a number of MPs do, too—where residents who are in their home do not understand what they are paying for; we have had that discussion today. What I am determined to do is understand what areas I need to improve in, what FirstPort needs to get better at, and then to be transparent on those points.

Q44 **Chris Curtis:** I expect most people on this panel will have first bought properties in their constituency, and what you are describing is quite some distance from the experience of us and our residents. Redhouse Park is in my constituency. As of May this year, you emailed telling me that you had not signed off the accounts from 2022: that is before we got to 2023 and then 2024.

You talk about your complaints portal. I have notes from my residents at Redhouse Park saying that complaints that they put into the portal just get taken down without any redress. I have examples of people being sent legal letters for things that they are disputing. It seems like you just send the legal letters out and hope that people dispute them, and then the moment we point out that what is being put forward—this is all happening under your watch currently. The moment we start to dispute that, eventually, the lawyers back down. It seems like there is a state of mind of, "Just put the legal letter in and hope that nobody queries it."

We have a 123% increase in costs for work to maintain gates that have not worked for eight years. These are far from the worst stories that I am sure you have heard from the 170 MPs you have met. The fact that 170 MPs have a problem is in itself evidence of how much of an issue this is.

Let us start with this: do you survey your residents and, apart from the complaint numbers, do you know what level of satisfaction you have among your residents for the service that you provide?

Martin King: Yes, we do, and that has been kicked off recently. Obviously, we see our residents through the property managers who are on the ground, and I have been ensured that those property managers are visiting the site much more often than they used to. So they are a lot more visible and they can answer questions, along with the qualifications that they are pursuing. I am aware that we do not get it right all the time and in the last 12 to 14 months—

Q45 **Chris Curtis**: Some of the time would be nice, or any of the time.

Martin King: As I mentioned earlier, we obviously monitor how many complaints we get coming into the business. We know what those are, and we are getting much better at answering them and first-time resolution. There are obviously specific issues throughout the country that we are leaning into. We are meeting those residents on a very regular basis. We have town halls where that can be set up—whether an MP is involved or not—and the operations directors and the property managers who are there will sit and talk this through.

I have met a lot of MPs. I know there is a great deal of interest in this entire topic. In many cases, we have gone out and we have explained a number of the issues, some which are us and some which are not. As we have discussed today, it is a complex environment with a number of different players in this market. As a managing agent, we are responsible for some things, but not everything.

Q46 **Chris Curtis:** If any other business was responsible for managing a gate and did not fix it for eight years, then turned around to residents and said, "We want a 123% increase in your fees to manage gates that have not worked for eight years," that company would be out of business within months. And yet, because of the way this entire sector is set up, because there is no real competition, because it is so hard to get rid of you when you are not performing your duties, that gate has not been fixed for eight years and you still seem to be making millions of pounds of dividends for your shareholders. It seems like you are milking the system, does it not?

Martin King: Obviously, the industry is under review and there is regulatory reform being written. We have read the White Paper and we are waiting for what comes out further down the line. We absolutely embrace those professional changes that are required. I want FirstPort to be better and I want it to lead.

There are obviously individual cases where things, for whatever reason, have gone wrong. If you provide that to me separately, I will look into that particular case and see what the issues are, but as a company and as an industry, we absolutely embrace the professional changes that you are going through and wanting us to adopt. It is a complex environment, which I think everyone here acknowledges, and as the property managing agent in the middle of that, we have to work with all aspects of the industry. As clear as that can be, or as professional as we can be—as qualified—then the scenarios that you describe, ideally I want to drive out.

Q47 **Joe Powell:** Martin, one of the things that residents are concerned about is that they think that FirstPort gets at the pie from multiple angles. There is, for example, your in-house insurance company. Can you provide us with assurances that Knight Square Insurance, that you control, is providing good value for money?

Martin King: First, it is not in-house. It does not belong to FirstPort; it is completely separate from us, deliberately, for the obvious reasons that we are talking about it. It is a separate entity. It is FCA-regulated—I have no running entity within it at all. I am managing director of FirstPort and that is what I am involved in solely. It is completely separate from the FirstPort entity.

Q48 **Joe Powell:** How much do you use this company that is part of your bigger corporate structure?

Martin King: About a third of our portfolio is through KSI.

Q49 **Joe Powell:** How can you assure us that that, which is part of your corporate family, is delivering good value for money?

Martin King: It is a broker. It does not provide insurance as a provider; it brokes for other people within the industry as well. So like all insurance brokers, it will go out and it will run through the FCA—as part of the FCA regulation, it will go into the market. It will look at at least three different quotes for whatever is in the leasehold or the transfer deed, what is required on that particular development, and then will come back and offer the best option for it. In many cases, it does not have to be taken up for that; other people can broke that same insurance as well.

Chris Curtis: Do we know what percentage of the sector overall uses KSI? You say it is a third of yours—is it a third overall?

Martin King: The focus for me, obviously, is the FirstPort portfolio. I do not get involved with understanding what the insurance market is for them, so no, I could not answer that. I could probably go away and find out separately.

Q50 **Chris Curtis:** But would you accept the premise that, if it was an open market and everyone was going for the best deal, it should be the same percentage of FirstPort that is using it as the industry as a whole? And if it was higher, that would imply some sort of bias towards FirstPort using a broker that is within the parent umbrella, compared to the industry as a whole.

Martin King: Again, for me as managing director of FirstPort—

Q51 **Chris Curtis:** Would you accept that, if that was true, that would be indication of a problem?

Martin King: Part of this is the reason why it is separate from our entity—its market share, and how it conducts itself as part of an FCA-regulated industry, is its business. I deliberately want to be separate from that for the reasons we are talking about—it needs to be separate and it needs to be done professionally. I do not know its market share. What I do know is that about a third of our portfolio is administered through that KSI.

Q52 **Andrew Lewin:** Thank you for being here, Martin. I still feel new to this job, and as an MP, you have to be across local issues, national issues and international issues as best as you possibly can. You cannot be across everything, but some issues cut through, and FirstPort has cut through. I am afraid that I think it will be universally acknowledged among this Committee that the reputation of FirstPort is not in a good place. There is an old saying, which is that reputation is reality with a lag effect. But look, I want to recognise that you are here, you are fronting up and answering these questions. There is a simple one: are you willing, on the record today, to apologise to everyone who has had an association with FirstPort over the last couple of years for what has happened?

Martin King: I can say, certainly, as managing director of FirstPort, we have not got things right all the time, and I am addressing that both physically, by changing the company—implementing the different changes that we have put in place. And going forward, with the training, with the expertise, with the onshoring, and with the professionalisation of both FirstPort and the industry, I want to reduce to as little as I possibly can any distress that we have put in place for anyone that is a resident of a property that we have. Of course, if things have gone wrong in the past and go wrong in the future—it is never going to be 100%—then I do not want that and that is not a good place to be in.

Q53 **Andrew Lewin:** Sorry to cut across, Martin, but that is a qualified answer, and we have all watched these kinds of sessions before. I am just going to give you one more opportunity to just say that you are sorry for where we have got to, to recognise and then to have the conversation. I need to hand it over to a colleague, but this is an important moment, people are watching, and this is on the record. Do you want to apologise?

Martin King: Of course. For me, I do not want to cause any distress. I regret any distress that anyone has had if they have encountered a poor performance from FirstPort, and I want to change that going forward. So of course, we as FirstPort—I as managing director—regret any distress that anyone has had in working with us. The important point is how we then redress that: how we move forward, how we put in place a professional FirstPort, and we are certainly on that track, as we have discussed, with the regulatory reform profile that is coming down the track that as—

Q54 **Chair:** Do you feel that you should make those changes even if the regulatory reform takes time to come in?

Martin King: Absolutely. It is not out yet. We have read the White Paper and we obviously are fully aware of Lord Best's endeavours over a number of years—which are excellent, all of which I agree with—so what we are not doing is waiting for anything to come. We are not waiting for the final version. I recognise, referencing the questions that we have had today, that we, both as an industry and as FirstPort, need to be a lot better. That is through qualifications, through a complex set of requirements for a property manager, which is getting all the more complex. They need to be ready for the future—

Q55 **Andrew Lewin:** One last thing—you regret distress caused but you have not said sorry. From my professional experience before being elected, if you are a company in the private sector and things have gone wrong, you are more likely to be heard in the future if you are brave enough to just say, "I am sorry".

Martin King: Absolutely—sorry if I wasn't clear. I both regret and it is unfortunate, and I am sorry for any distress in the past, for whatever reason, that people have not understood.

Q56 **Chair:** It is unfortunate; that is your—

Martin King: It is unfortunate, yes.

Chair: I will bring in other colleagues, thank you. Will, very quickly, and then I want to bring in Andrew.

Q57 **Mr Forster:** Martin, thank you for eventually saying that apology—that is helpful, but I wish it was a bit more forthcoming. I want to dive into some detail. We heard earlier of people being charged £24,000 for cutting grass on an area the size of half a football pitch. We have had examples of people being charged £150 to change a lightbulb, where we do not think the lightbulb has been replaced. Do you think FirstPort's charges are reasonable? I do not, in my experience as MP for Woking and hearing other stories. How do you think you are going to get your charges down to them being reasonable and fit within the law?

Martin King: Obviously, both service charges and state charges have been discussed a number of times today and the understanding of what constitutes that. I am reviewing all our charges at the moment: they need to be proportionate, they need to be accurate and people need to understand them. Obviously, we provide a service to customers who live in homes, and they need to know what they are paying for from the earliest stage, whether they are moving into a property or whether they have lived there for a number of years. So for us, when we get the right level of service and the right contractor—as I mentioned earlier, we have regionalised the business—that should help us understand a more regional aspect of the type of contractor we bring in.

They obviously have to be qualified and have the right levels of experience to perform whatever work they are doing. But certainly, what I do not like is obviously quotes of outrageous figures, and again, please send those details to me and I will look into them. What we have to do is get better at explaining what those charges are for and what people get for their money through their managing agent, whichever managing agent that is.

Q58 **Mr Forster:** Thank you. We also heard earlier today that actually a five-year investment plan is really important for potential new tenants, and for others as well, so they can plan and you can smooth out the costs. At what point will all your properties have a five-year investment plan and it be published?

Martin King: If that is going to be part of the reforms, we would welcome a longer-term plan to put forward. Then, as you mentioned, residents can understand what they are looking to pay for, what potentially is coming, any sort of large payments for major works, and so on. What FirstPort and I do not want are shocks to our residents. I want them to be able to plan. I am a resident; I am a normal person that has to plan financially ahead like everyone else here, and I want to make sure that individuals who live in properties that we manage can actually plan ahead and understand what is coming—if the roof or the lift needs changing.

Q59 **Mr Forster:** You said only if the legislation comes in. Are you not going to do a five-year plan that people can understand unless you are made to?

Martin King: No—so we are looking at how we explain all our charges and how we explain the plan going forward as best that we can.

Obviously, as we do cost estimates at the end of each year, we try to anticipate what is coming and what costs there will be for that development for whatever reason, whether it is a major work or whether it is the cost of looking after anything that was mentioned earlier on an estate. So as much as I possibly can, I want to look ahead and I want to plan for a longer period of time rather than just a 12-month period. Often our contract will be 12 months so we tend to do it 12 for months, but if we can look further ahead then that would be a sensible thing to do.

Q60 **Chair:** I am just mindful of time; we could spend a lot longer on this issue and I think you have heard the strength of feeling from the Committee. I think it is fair to say that you have met with 170 MPs to date, and it would be more—because of competing demands, many MPs, including myself, were not able to make some of those meetings. We appreciate the engagement you are carrying out with MPs from across the country, but this is a big issue and concern about the fact that FirstPort was actually suspended from The Property Institute's managing platform earlier this year.

Going forward, Martin, I want to know how are you going to keep this Committee updated on the progress? Will you commit to writing to us in about maybe three months, just with an update progress on what FirstPort have been doing?

Martin King: So we are already communicating with a number of MPs. We have already made those commitments to ensure—

Q61 **Chair:** The Select Committee, not the MPs.

Martin King: Of course, we will write to you, however that occurs, and we will make sure that we update you on the progress that we are making.

Q62 **Chair:** Thank you. I just wanted to bring in Andrew before our time is up, just to get your thoughts on some regulation reform coming forward. Again, you have heard a lot about the scope for regulation. In your view, do you think that that will address some concerns that we have all been hearing this morning?

Andrew Bulmer: There is no question about it, and with time against us, I would go back to Lord Best's excellent response earlier to the Committee, which I fully endorse—you would expect me to say that because I was on his working group. I liken the situation to the apocryphal tale of the ambulance down in the valley: people fall off a cliff, so should we put a fence at the top of a cliff or an ambulance down in the valley? Redress and tribunals are fixing a problem after harm has occurred.

Chair: Yes.

Andrew Bulmer: It is better to avoid harm in the first place; it is better to have a fence at the top of the cliff. A regulator will be able to address systemic failure, build that into the code and then enforce. So a regulator carries out quite a different function to redress, and we are anxious—the industry is anxious—to see this being brought forward.

Q63 **Chair:** In terms of the industry, you mentioned that you have such a large portfolio of members registered to the property industry. What steps is the industry taking collectively, in terms of looking at pre-legislation scrutiny and properly informing Government Ministers, to make sure that legislation and regulation is watertight, essentially? Have you been involved in any discussions?

Andrew Bulmer: We have met with civil servants and, where we can, Ministers, where we are granted an audience to put forward that position to make and frame the arguments for regulation. In the interim, our job—we are not a regulator; we have limited powers—is to lead and lift the industry. For that reason, we continue to evolve our Ofqual qualifications and the way in which we can look at and audit firms.

We can see that the industry is responding. In 2016, we had 3,000 members and we are now at 7,000 members, so we can see that there is an uptick in engagement with the industry, which is encouraging. But the industry has become a lot more complex. Rightly, consumer expectations have risen. The building safety environment has now become intensely complicated and the demands on property managers are far more than they used to be a few years ago. So responsible industry has stepped forward. Training is taking place, qualifications are taking place, and we will continue to do what we can to lift the industry on a rising tide.

Q64 **Chair:** Apart from suspension from the trade body, what other sanctions are available to managing agents and organisations that cause you concern?

Andrew Bulmer: Our sanctions are very limited, in that it is an apology, suspension, or expulsion. But what we cannot do is to stop any firm from trading; we cannot pull anybody’s licence, be it an individual or be it a firm. So our members come to us because on a voluntary basis they pay to be a member. Our fees are modest, but none the less, they add up and those members then take advantage of the resources that we have to hopefully do better.

Chair: Are there any final comments from other panel members on this vital issue before we wrap up? No? I want to thank everyone for coming this morning. It is fair to say this is an area that we will continue to scrutinise, especially as we get closer to that long-awaited leasehold and commonhold legislation from government. Thank you to the panel members and witnesses for coming this morning. Thank you to Committee members.