Dealing with arrears and non-payment

A fair, firm process for collecting unpaid service charge, from reminders to formal action, and how to protect the building's cash flow.

Unpaid service charge hits everyone else in the building. Costs do not fall because one leaseholder has not paid, and the shortfall has to be met somewhere. A clear, consistent process lets you act early, treat every leaseholder alike and avoid unnecessary conflict.

Prevention

- Send correct demands on time, with the required legal information.
- Make payment easy: standing order or direct debit where the lease allows.
- Explain what the charge covers.
- Keep accurate records, so every payment is applied correctly.

A staged process

1. **Reminder.** A friendly note a few days after the due date. Many arrears are oversights.
2. **Second reminder.** A firmer written notice, stating the amount, the due date and how to pay.
3. **Conversation.** Contact the leaseholder to find out whether there is a problem, and whether a payment plan is realistic.
4. **Formal letter.** A letter before action that sets out what is owed and what will happen if it is not paid, with a deadline.
5. **Referral.** Hand the matter to a solicitor or a debt-recovery service, once the board has agreed.

Keep a log of every contact. Record offers and agreements in writing.

Check your own position

Before you chase, check that:

- the lease allows the charge and the demand was valid;
- the demand included the required notices;
- the costs were incurred within the time limits;
- any disputed element is separated from the undisputed one.

A leaseholder who disputes a charge can ask the tribunal to decide whether it is reasonable and payable. That does not stop you recovering amounts that are not

in dispute.

Legal routes

The usual routes are a county court claim for the debt, or a tribunal determination of the amount. The lease may allow the landlord to end the lease for non-payment, but there are strict statutory restrictions: for instance, a tribunal determination is needed first in many cases, and the consequences for the leaseholder are severe. Take specialist advice before considering it.

Costs

Check what the lease says about recovering legal and administrative costs from the defaulting leaseholder. Charges for administration must be reasonable.

Payment plans

A short, written plan that is realistic for the leaseholder can recover more than a long dispute. Include the amount, dates and what happens if a payment is missed.

> Be consistent. If some leaseholders are treated more leniently than others, it undermines your position and invites complaints.

Next steps

1. Agree the process at a board meeting.
2. Set the dates for each stage.
3. Name a director responsible for follow-up.
4. Report the arrears position to the board each quarter.

General information, not advice on your circumstances. Leasehold law is detailed and changes: check the current position and take advice before acting. Leasehold Clarity is provided by Leasehold Clarity Limited (company no. 16963931), with management and professional services from Murphy Thompson Moore LLP (LLP No. OC314041).