RMC or RTM: which route is right for your building?

Many buildings already have a Resident Management Company. Check before you form a Right to Manage company.

Before anything else, you need to know which legal vehicle will manage your building. There are two common ones, and mixing them up is one of the most expensive early mistakes.

Resident Management Company (RMC)

An RMC is a company set up, usually when the building was developed, to take on the landlord's management responsibilities. Leaseholders are normally its members. If your lease makes the RMC responsible for the building, **it may already be the right vehicle** and you do not need to form anything new. The question then becomes who the RMC appoints to run the building day to day, which can be its own directors.

Right to Manage (RTM) company

The Right to Manage is a statutory right under the Commonhold and Leasehold Reform Act 2002. Qualifying leaseholders can take over management of their building **without proving any fault** by the landlord or agent. They do it through an RTM company, formed for that purpose. It is only needed where there is no suitable RMC and leaseholders want to acquire management formally.

> **Check first.** Look at your lease and the title register for a management company before assuming you need an RTM company. If you are not sure, take advice.

How the two compare

	RMC	RTM COMPANY
Where it comes from	Your lease and title structure	A statutory right for qualifying buildings
Do you need a new company?	No, it usually already exists	Yes, an RTM company is formed
Landlord's agreement	Not needed to use what the lease already provides	Not needed, but the landlord can challenge a claim
Typical timescale	Depends on the lease and the agent's contract	A few months from the claim notice if uncontested
Who runs it	Its directors, often leaseholders	Its directors, normally resident leaseholders

The basic tests for an RTM claim

The rules are detailed and have been reformed recently, so check the current position. In broad terms:

- the building must be self-contained, or capable of being, with at least two flats;
- at least two-thirds of the flats must be held by qualifying leaseholders (generally, those on long leases);
- the RTM company needs members who are leaseholders of at least half of the flats; and
- there are limits on how much of the building can be non-residential.

The RTM steps in outline

1. Form the RTM company and appoint its first directors.
2. Invite every qualifying leaseholder to participate, using the prescribed notice.
3. Serve the claim notice on the landlord and any other relevant parties.
4. Allow the landlord's response period. If there is no valid counter-notice, the company takes over on the acquisition date.
5. Agree the handover from the outgoing agent and begin managing.

Where we come in

Leasehold Clarity is the platform your directors use once the structure is settled. Murphy Thompson Moore LLP can help with the company secretarial side, such as forming the company, Companies House filings and officer changes. We do not give legal advice on the statutory notices. For those, use a solicitor experienced in leasehold law.

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).