How the traditional managing agent model works

What a managing agent does, how it is paid, what the law expects of it and where leaseholders can lose sight of their own building.

In the traditional model, the landlord, the RMC or the RTM company appoints a managing agent to run the building. The agent takes on the routine work, and the leaseholders pay for it through the service charge. Understanding what the agent actually does, and does not do, is the first step to judging whether it is working.

What a managing agent normally does

- Prepares the annual service charge budget and issues demands.
- Collects service charge and, where it is due, ground rent.
- Arranges and supervises contractors, such as cleaners, gardeners and lift engineers.
- Arranges buildings insurance, and handles claims.
- Organises repairs and planned maintenance, and carries out major works consultations.
- Keeps the accounts and issues year-end statements.
- Makes sure legal obligations are met, such as fire risk assessments, and handles correspondence from leaseholders.

How the agent is paid

Most agents charge a fixed management fee per unit each year. Many also charge extra fees for things outside the basic service, such as administering a major works project, dealing with a legal matter, or providing information for a sale. Ask for the full fee schedule, because the headline fee is rarely the whole cost. Some agents also receive commission on insurance or contractors. You are entitled to ask about this.

Who holds the money

Service charge money is normally held on trust for the leaseholders. It should be kept apart from the agent's own money, in a designated client account. Ask where the money is held, who can authorise payments, and how the reserve fund is protected.

Standards and redress

Managing agents are required by law to belong to a redress scheme, which gives leaseholders somewhere to complain if matters are not resolved. Many agents also belong to a professional body and follow its code of practice. Ask which applies to your agent.

Where the model can go wrong

- Leaseholders and directors have no independent records, and depend on the agent for every document.
- Fees creep up through extras that were never explained.
- Contractors are chosen for convenience, without competitive quotes.
- Communication is slow, and leaseholders do not know who is responsible.

Making it work

A good agent welcomes an engaged board. Set out the services in a written agreement, ask for regular reports, and keep your own copy of the key records: leases, insurance, certificates, accounts and minutes. Even with an agent, the company, not the agent, is responsible to the leaseholders.

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