

Freehold Houses and Service Charges

Why Do Leaseholders of Freehold Houses Pay a Service Charge?

1. Shared Responsibility for Communal Areas

- If your property is part of a **development** or estate that includes communal areas (e.g., private roads, gardens, or parking areas), all owners are collectively responsible for their upkeep.
- This is typically laid out in the **title deeds** of your property, which may specify that you need to contribute towards the costs of maintaining these shared areas.

2. Building Insurance

- Service charges often cover the cost of **insurance** for the building and its structure, which can include the shared parts of the estate or development. This ensures that the property is protected in case of emergencies like fire, flood, or other major damage.
- Even though you own the freehold of your house, you may still be part of a block or group of houses that share this insurance coverage.

3. Management and Administrative Costs

- If there is a **management company** or freeholder overseeing the estate, their **administrative costs** will also be covered by the service charge.
- These costs include things like paying for an estate manager, handling complaints, organising maintenance works, and general coordination of services for the development.

4. Maintenance and Repair of Common Infrastructure

- Even for houses with freeholds, there can be shared **infrastructure** like drainage systems, access roads, gates, and fences.
- The service charge ensures that these elements are **maintained**, and necessary repairs are carried out, reducing the burden on individual homeowners.

5. Maintaining the Appearance and Value of the Property

- Regular maintenance of communal areas and the exterior of the property helps to preserve the overall **aesthetic and value** of the development.
- If you own a freehold house in a larger community, paying for these services can help keep your investment protected and prevent issues like dilapidation or disrepair from affecting your property or its surroundings.

How is the Service Charge Calculated?

- The amount you pay typically depends on the size of your property and your share of the communal areas. It could be calculated as a percentage of the overall costs for the development, or it may be a set flat fee for each property.
- The costs will usually be outlined in the **lease or title deed** and can vary from year to year based on the needs of the property and the estate.

What Happens if You Don't Pay the Service Charge?

If you fail to pay your service charge, the management company or freeholder may take **legal action** to recover the amount owed. This could result in:

- Interest charges on the outstanding balance
- Legal fees for debt recovery
- Risk of a **restriction** being placed on the title of your property, which could affect your ability to sell the property

How to Manage and Understand Your Service Charges

- **Review your lease or title deed:** Check the terms to understand what is covered under your service charge.
- **Request a breakdown:** You are entitled to ask for a detailed breakdown of what your service charge covers.
- **Attend meetings:** If the development has meetings or an annual general meeting (AGM), attend to stay informed about the management of the estate and how charges are calculated.

Key Points to Remember

- Even if you own the freehold, communal areas and services need to be managed and maintained.
- Service charges help fund repairs, insurance, management, and upkeep of these shared areas.
- Always keep track of payments and ensure you receive a full breakdown of charges.