



# Commonhold and Leasehold Reform Act 2002

## 2002 CHAPTER 15

### PART 2

#### LEASEHOLD REFORM

### CHAPTER 5

#### OTHER PROVISIONS ABOUT LEASES

*Service charges, administration charges etc.*

#### **150 Extending meaning of service charge and management etc**

Schedule 9 (which amends certain provisions about management of, and service charges in respect of, leasehold properties and confers power further to amend certain of those provisions) has effect.

#### **Commencement Information**

- II** S. 150 wholly in force at 30.3.2004; s. 150 not in force at Royal Assent see s. 181(1); s. 150 in force at 30.9.2003 for E. by S.I. 2003/1986, art. 2(c)(i) (with Sch. 2); s. 150 in force at 30.3.2004 for W. by S.I. 2004/669, art. 2(c)(i) (with Sch. 2)

#### **151 Consultation about service charges**

For section 20 of the 1985 Act (limitation of service charges: estimates and consultation) substitute—

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*Status:* Point in time view as at 30/09/2003. This version of this cross heading contains provisions that are prospective.

*Changes to legislation:* There are currently no known outstanding effects for the Commonhold and Leasehold Reform Act 2002, Cross Heading: Service charges, administration charges etc.. (See end of Document for details)

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## **“20 Limitation of service charges: consultation requirements**

- (1) Where this section applies to any qualifying works or qualifying long term agreement, the relevant contributions of tenants are limited in accordance with subsection (6) or (7) (or both) unless the consultation requirements have been either—
  - (a) complied with in relation to the works or agreement, or
  - (b) dispensed with in relation to the works or agreement by (or on appeal from) a leasehold valuation tribunal.
- (2) In this section “relevant contribution”, in relation to a tenant and any works or agreement, is the amount which he may be required under the terms of his lease to contribute (by the payment of service charges) to relevant costs incurred on carrying out the works or under the agreement.
- (3) This section applies to qualifying works if relevant costs incurred on carrying out the works exceed an appropriate amount.
- (4) The Secretary of State may by regulations provide that this section applies to a qualifying long term agreement—
  - (a) if relevant costs incurred under the agreement exceed an appropriate amount, or
  - (b) if relevant costs incurred under the agreement during a period prescribed by the regulations exceed an appropriate amount.
- (5) An appropriate amount is an amount set by regulations made by the Secretary of State; and the regulations may make provision for either or both of the following to be an appropriate amount—
  - (a) an amount prescribed by, or determined in accordance with, the regulations, and
  - (b) an amount which results in the relevant contribution of any one or more tenants being an amount prescribed by, or determined in accordance with, the regulations.
- (6) Where an appropriate amount is set by virtue of paragraph (a) of subsection (5), the amount of the relevant costs incurred on carrying out the works or under the agreement which may be taken into account in determining the relevant contributions of tenants is limited to the appropriate amount.
- (7) Where an appropriate amount is set by virtue of paragraph (b) of that subsection, the amount of the relevant contribution of the tenant, or each of the tenants, whose relevant contribution would otherwise exceed the amount prescribed by, or determined in accordance with, the regulations is limited to the amount so prescribed or determined.

## **20ZA Consultation requirements: supplementary**

- (1) Where an application is made to a leasehold valuation tribunal for a determination to dispense with all or any of the consultation requirements in relation to any qualifying works or qualifying long term agreement, the tribunal may make the determination if satisfied that it is reasonable to dispense with the requirements.

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- (2) In section 20 and this section—
- “qualifying works” means works on a building or any other premises, and
- “qualifying long term agreement” means (subject to subsection (3)) an agreement entered into, by or on behalf of the landlord or a superior landlord, for a term of more than twelve months.
- (3) The Secretary of State may by regulations provide that an agreement is not a qualifying long term agreement—
- (a) if it is an agreement of a description prescribed by the regulations, or
  - (b) in any circumstances so prescribed.
- (4) In section 20 and this section “the consultation requirements” means requirements prescribed by regulations made by the Secretary of State.
- (5) Regulations under subsection (4) may in particular include provision requiring the landlord—
- (a) to provide details of proposed works or agreements to tenants or the recognised tenants’ association representing them,
  - (b) to obtain estimates for proposed works or agreements,
  - (c) to invite tenants or the recognised tenants’ association to propose the names of persons from whom the landlord should try to obtain other estimates,
  - (d) to have regard to observations made by tenants or the recognised tenants’ association in relation to proposed works or agreements and estimates, and
  - (e) to give reasons in prescribed circumstances for carrying out works or entering into agreements.
- (6) Regulations under section 20 or this section—
- (a) may make provision generally or only in relation to specific cases, and
  - (b) may make different provision for different purposes.
- (7) Regulations under section 20 or this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.”

#### Commencement Information

- I2** S. 151 wholly in force at 30.3.2004; s. 151 not in force at Royal Assent see s. 181(1); s. 151 in force for specified purposes at 26.7.2002 for E. by S.I. 2002/1912, art. 2(c); s. 151 in force for specified purposes at 1.1.2003 for W. by S.I. 2002/3012, art. 2(c); s. 151 in force so far as not already in force at 31.10.2003 for E. by S.I. 2003/1986, art. 3 (with savings); s. 151 in force so far as not already in force at 30.3.2004 for W. by S.I. 2004/669, art. 2(d) (with savings)

## 152 Statements of account

For section 21 of the 1985 Act (request for summary of relevant costs) substitute—

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## “21 Regular statements of account

- (1) The landlord must supply to each tenant by whom service charges are payable, in relation to each accounting period, a written statement of account dealing with—
  - (a) service charges of the tenant and the tenants of dwellings associated with his dwelling,
  - (b) relevant costs relating to those service charges,
  - (c) the aggregate amount standing to the credit of the tenant and the tenants of those dwellings—
    - (i) at the beginning of the accounting period, and
    - (ii) at the end of the accounting period, and
  - (d) related matters.
- (2) The statement of account in relation to an accounting period must be supplied to each such tenant not later than six months after the end of the accounting period.
- (3) Where the landlord supplies a statement of account to a tenant he must also supply to him—
  - (a) a certificate of a qualified accountant that, in the accountant’s opinion, the statement of account deals fairly with the matters with which it is required to deal and is sufficiently supported by accounts, receipts and other documents which have been produced to him, and
  - (b) a summary of the rights and obligations of tenants of dwellings in relation to service charges.
- (4) The Secretary of State may make regulations prescribing requirements as to the form and content of—
  - (a) statements of account,
  - (b) accountants’ certificates, and
  - (c) summaries of rights and obligations,
 required to be supplied under this section.
- (5) The Secretary of State may make regulations prescribing exceptions from the requirement to supply an accountant’s certificate.
- (6) If the landlord has been notified by a tenant of an address in England and Wales at which he wishes to have supplied to him documents required to be so supplied under this section, the landlord must supply them to him at that address.
- (7) And the landlord is to be taken to have been so notified if notification has been given to—
  - (a) an agent of the landlord named as such in the rent book or similar document, or
  - (b) the person who receives the rent on behalf of the landlord;
 and where notification is given to such an agent or person he must forward it as soon as may be to the landlord.

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- (8) For the purposes of this section a dwelling is associated with another dwelling if the obligations of the tenants of the dwellings under the terms of their leases as regards contributing to relevant costs relate to the same costs.
- (9) In this section “accounting period” means such period—
- (a) beginning with the relevant date, and
  - (b) ending with such date, not later than twelve months after the relevant date,
- as the landlord determines.
- (10) In the case of the first accounting period in relation to any dwellings, the relevant date is the later of—
- (a) the date on which service charges are first payable under a lease of any of them, and
  - (b) the date on which section 152 of the Commonhold and Leasehold Reform Act 2002 comes into force,
- and, in the case of subsequent accounting periods, it is the date immediately following the end of the previous accounting period.
- (11) Regulations under subsection (4) may make different provision for different purposes.
- (12) Regulations under this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

### **21A Withholding of service charges**

- (1) A tenant may withhold payment of a service charge if—
- (a) the landlord has not supplied a document to him by the time by which he is required to supply it under section 21, or
  - (b) the form or content of a document which the landlord has supplied to him under that section (at any time) does not conform exactly or substantially with the requirements prescribed by regulations under subsection (4) of that section.
- (2) The maximum amount which the tenant may withhold is an amount equal to the aggregate of—
- (a) the service charges paid by him in the accounting period to which the document concerned would or does relate, and
  - (b) so much of the aggregate amount required to be dealt with in the statement of account for that accounting period by section 21(1)(c)(i) as stood to his credit.
- (3) An amount may not be withheld under this section—
- (a) in a case within paragraph (a) of subsection (1), after the document concerned has been supplied to the tenant by the landlord, or
  - (b) in a case within paragraph (b) of that subsection, after a document conforming exactly or substantially with the requirements prescribed by regulations under section 21(4) has been supplied to the tenant by the landlord by way of replacement of the one previously supplied.

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- (4) If, on an application made by the landlord to a leasehold valuation tribunal, the tribunal determines that the landlord has a reasonable excuse for a failure giving rise to the right of a tenant to withhold an amount under this section, the tenant may not withhold the amount after the determination is made.
- (5) Where a tenant withholds a service charge under this section, any provisions of the tenancy relating to non-payment or late payment of service charges do not have effect in relation to the period for which he so withholds it.”

#### Commencement Information

- I3** S. 152 partly in force; s. 152 not in force at Royal Assent, see s. 181(1); s. 152 in force for specified purposes at 26.7.2002 for E. by S.I. 2002/1912, art. 2(c); s. 152 in force for specified purposes at 1.1.2003 for W. by S.I. 2002/3012, art. 2(c)

### 153 Notice to accompany demands for service charges

After section 21A of the 1985 Act (inserted by section 152) insert—

#### “21B Notice to accompany demands for service charges

- (1) A demand for the payment of a service charge must be accompanied by a summary of the rights and obligations of tenants of dwellings in relation to service charges.
- (2) The Secretary of State may make regulations prescribing requirements as to the form and content of such summaries of rights and obligations.
- (3) A tenant may withhold payment of a service charge which has been demanded from him if subsection (1) is not complied with in relation to the demand.
- (4) Where a tenant withholds a service charge under this section, any provisions of the lease relating to non-payment or late payment of service charges do not have effect in relation to the period for which he so withholds it.
- (5) Regulations under subsection (2) may make different provision for different purposes.
- (6) Regulations under subsection (2) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.”

#### Commencement Information

- I4** S. 153 wholly in force at 30.11.2007; s. 153 not in force at Royal Assent see s. 181(1); s. 153 in force for specified purposes at 26.7.2002 for E. by S.I. 2002/1912, art. 2(c); s. 153 in force for specified purposes at 1.1.2003 for W. by S.I. 2002/3012, art. 2(c); s. 153 in force so far as not already in force at 1.10.2007 for E. by S.I. 2007/1256, art. 2; s. 153 in force so far as not already in force at 30.11.2007 for W. by S.I. 2007/3161, art. 2

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PROSPECTIVE

## 154 Inspection etc. of documents

For section 22 of the 1985 Act (request to inspect documents supporting summary of relevant costs) substitute—

### “22 Inspection etc. of documents

- (1) A tenant may by notice in writing require the landlord—
  - (a) to afford him reasonable facilities for inspecting accounts, receipts or other documents relevant to the matters which must be dealt with in a statement of account required to be supplied to him under section 21 and for taking copies of or extracts from them, or
  - (b) to take copies of or extracts from any such accounts, receipts or other documents and either send them to him or afford him reasonable facilities for collecting them (as he specifies).
- (2) If the tenant is represented by a recognised tenants’ association and he consents, the notice may be served by the secretary of the association instead of by the tenant (and in that case any requirement imposed by it is to afford reasonable facilities, or to send copies or extracts, to the secretary).
- (3) A notice under this section may not be served after the end of the period of six months beginning with the date by which the tenant is required to be supplied with the statement of account under section 21.
- (4) But if—
  - (a) the statement of account is not supplied to the tenant on or before that date, or
  - (b) the statement of account so supplied does not conform exactly or substantially with the requirements prescribed by regulations under section 21(4),
 the six month period mentioned in subsection (3) does not begin until any later date on which the statement of account (conforming exactly or substantially with those requirements) is supplied to him.
- (5) A notice under this section is duly served on the landlord if it is served on—
  - (a) an agent of the landlord named as such in the rent book or similar document, or
  - (b) the person who receives the rent on behalf of the landlord;
 and a person on whom such a notice is so served must forward it as soon as may be to the landlord.
- (6) The landlord must comply with a requirement imposed by a notice under this section within the period of twenty-one days beginning with the day on which he receives the notice.
- (7) To the extent that a notice under this section requires the landlord to afford facilities for inspecting documents—
  - (a) he must do so free of charge, but

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(b) he may treat as part of his costs of management any costs incurred by him in doing so.

(8) The landlord may make a reasonable charge for doing anything else in compliance with a requirement imposed by a notice under this section.”

## 155 Liability to pay service charges: jurisdiction

(1) After section 27 of the 1985 Act insert—

### “27A Liability to pay service charges: jurisdiction

- (1) An application may be made to a leasehold valuation tribunal for a determination whether a service charge is payable and, if it is, as to—
- (a) the person by whom it is payable,
  - (b) the person to whom it is payable,
  - (c) the amount which is payable,
  - (d) the date at or by which it is payable, and
  - (e) the manner in which it is payable.
- (2) Subsection (1) applies whether or not any payment has been made.
- (3) An application may also be made to a leasehold valuation tribunal for a determination whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any specified description, a service charge would be payable for the costs and, if it would, as to—
- (a) the person by whom it would be payable,
  - (b) the person to whom it would be payable,
  - (c) the amount which would be payable,
  - (d) the date at or by which it would be payable, and
  - (e) the manner in which it would be payable.
- (4) No application under subsection (1) or (3) may be made in respect of a matter which—
- (a) has been agreed or admitted by the tenant,
  - (b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the tenant is a party,
  - (c) has been the subject of determination by a court, or
  - (d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.
- (5) But the tenant is not to be taken to have agreed or admitted any matter by reason only of having made any payment.
- (6) An agreement by the tenant of a dwelling (other than a post-dispute arbitration agreement) is void in so far as it purports to provide for a determination—
- (a) in a particular manner, or
  - (b) on particular evidence,
- of any question which may be the subject of an application under subsection (1) or (3).



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- (7) The jurisdiction conferred on a leasehold valuation tribunal in respect of any matter by virtue of this section is in addition to any jurisdiction of a court in respect of the matter.”
- (2) In section 38 of the 1985 Act (definitions), at the end of the definitions of “arbitration agreement”, “arbitration agreement” and “arbitral tribunal”, insert “ and post-dispute arbitration agreement”, in relation to any matter, means an arbitration agreement made after a dispute about the matter has arisen; ”.
- (3) In section 39 of the 1985 Act (index of defined expressions), in the first column, in the entry “arbitration agreement, arbitration agreement and arbitral tribunal”, for “and arbitral tribunal” substitute “ , arbitral tribunal and post-dispute arbitration agreement ”.

#### Commencement Information

- I5** S. 155 wholly in force at 30.3.2004; s. 155 not in force at Royal Assent see s. 181(1); s. 155 in force at 30.9.2003 for E. by S.I. 2003/1986, art. 2(c)(i) (with Sch. 2); s. 155 in force at 30.3.2004 for W. by S.I. 2004/669, art. 2(c)(i) (with Sch. 2)

### 156 Service charge contributions to be held in separate account

- (1) After section 42 of the 1987 Act insert—

#### “42A Service charge contributions to be held in designated account

- (1) The payee must hold any sums standing to the credit of any trust fund in a designated account at a relevant financial institution.
- (2) An account is a designated account in relation to sums standing to the credit of a trust fund if—
- the relevant financial institution has been notified in writing that sums standing to the credit of the trust fund are to be (or are) held in it, and
  - no other funds are held in the account,
- and the account is an account of a description specified in regulations made by the Secretary of State.
- (3) Any of the contributing tenants, or the sole contributing tenant, may by notice in writing require the payee—
- to afford him reasonable facilities for inspecting documents evidencing that subsection (1) is complied with and for taking copies of or extracts from them, or
  - to take copies of or extracts from any such documents and either send them to him or afford him reasonable facilities for collecting them (as he specifies).
- (4) If the tenant is represented by a recognised tenants’ association and he consents, the notice may be served by the secretary of the association instead of by the tenant (and in that case any requirement imposed by it is to afford reasonable facilities, or to send copies or extracts, to the secretary).
- (5) A notice under this section is duly served on the payee if it is served on—

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- (a) an agent of the payee named as such in the rent book or similar document, or
  - (b) the person who receives the rent on behalf of the payee;
- and a person on whom such a notice is so served must forward it as soon as may be to the payee.
- (6) The payee must comply with a requirement imposed by a notice under this section within the period of twenty-one days beginning with the day on which he receives the notice.
- (7) To the extent that a notice under this section requires the payee to afford facilities for inspecting documents—
- (a) he must do so free of charge, but
  - (b) he may treat as part of his costs of management any costs incurred by him in doing so.
- (8) The payee may make a reasonable charge for doing anything else in compliance with a requirement imposed by a notice under this section.
- (9) Any of the contributing tenants, or the sole contributing tenant, may withhold payment of a service charge if he has reasonable grounds for believing that the payee has failed to comply with the duty imposed on him by subsection (1); and any provisions of his tenancy relating to non-payment or late payment of service charges do not have effect in relation to the period for which he so withholds it.
- (10) Nothing in this section applies to the payee if the circumstances are such as are specified in regulations made by the Secretary of State.
- (11) In this section—
- “recognised tenants’ association” has the same meaning as in the 1985 Act, and
  - “relevant financial institution” has the meaning given by regulations made by the Secretary of State;
- and expressions used both in section 42 and this section have the same meaning as in that section.

#### **42B Failure to comply with section 42A**

- (1) If a person fails, without reasonable excuse, to comply with a duty imposed on him by or by virtue of section 42A he commits an offence.
- (2) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 4 on the standard scale.
- (3) Where an offence under this section committed by a body corporate is proved—
  - (a) to have been committed with the consent or connivance of a director, manager, secretary or other similar officer of the body corporate, or a person purporting to act in such a capacity, or
  - (b) to be due to any neglect on the part of such an officer or person,
 he, as well as the body corporate, is guilty of the offence and liable to be proceeded against and punished accordingly.

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- (4) Where the affairs of a body corporate are managed by its members, subsection (3) applies in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.
- (5) Proceedings for an offence under this section may be brought by a local housing authority (within the meaning of section 1 of the Housing Act 1985 (c. 68)).”
- (2) In section 53(2)(b) of the 1987 Act (regulations subject to negative procedure), insert at the end “or 42A”.

#### Commencement Information

- 16** S. 156 partly in force; s. 156 not in force at Royal Assent, see s. 181(1); s. 156 in force for specified purposes at 26.7.2002 for E. by S.I. 2002/1912, art. 2(c); s. 156 in force for specified purposes at 1.1.2003 for W. by S.I. 2002/3012, art. 2(c)

### 157 Service charges: minor and consequential amendments

Schedule 10 (minor and consequential amendments about service charges) has effect.

#### Commencement Information

- 17** S. 157 partly in force; s. 157 not in force at Royal Assent see s. 181(1); s. 157 in force at 30.9.2003 for E. by S.I. 2003/1986, {art. 2(c)(i) (with Sch. 2)}; s. 157 in force for specified purposes at 30.3.2004 for W. by S.I. 2004/669, {art. 2(c)(i) (with Sch. 2)}; s. 157 in force for specified purposes at 28.2.2005 for E. by S.I. 2004/3056, art. 3(b); s. 157 in force for specified purposes at 31.5.2005 for W. by S.I. 2005/1353, art. 2(b)

### 158 Administration charges

Schedule 11 (which makes provision about administration charges payable by tenants of dwellings) has effect.

#### Commencement Information

- 18** S. 158 wholly in force at 30.3.2004; s. 158 not in force at Royal Assent see s. 181(1); s. 158 in force at 30.9.2003 for E. by S.I. 2003/1986, art. 2(c)(i) (with Sch. 2); s. 158 in force at 30.3.2004 for W. by S.I. 2004/669, art. 2(c)(i) (with Sch. 2)

### 159 Charges under estate management schemes

- (1) This section applies where a scheme under—
- section 19 of the 1967 Act (estate management schemes in connection with enfranchisement under that Act),
  - Chapter 4 of Part 1 of the 1993 Act (estate management schemes in connection with enfranchisement under the 1967 Act or Chapter 1 of Part 1 of the 1993 Act), or

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- (c) section 94(6) of the 1993 Act (corresponding schemes in relation to areas occupied under leases from Crown),  
includes provision imposing on persons occupying or interested in property an obligation to make payments (“estate charges”).
- (2) A variable estate charge is payable only to the extent that the amount of the charge is reasonable; and “variable estate charge” means an estate charge which is neither—
- (a) specified in the scheme, nor
  - (b) calculated in accordance with a formula specified in the scheme.
- (3) Any person on whom an obligation to pay an estate charge is imposed by the scheme may apply to a leasehold valuation tribunal for an order varying the scheme in such manner as is specified in the application on the grounds that—
- (a) any estate charge specified in the scheme is unreasonable, or
  - (b) any formula specified in the scheme in accordance with which any estate charge is calculated is unreasonable.
- (4) If the grounds on which the application was made are established to the satisfaction of the tribunal, it may make an order varying the scheme in such manner as is specified in the order.
- (5) The variation specified in the order may be—
- (a) the variation specified in the application, or
  - (b) such other variation as the tribunal thinks fit.
- (6) An application may be made to a leasehold valuation tribunal for a determination whether an estate charge is payable by a person and, if it is, as to—
- (a) the person by whom it is payable,
  - (b) the person to whom it is payable,
  - (c) the amount which is payable,
  - (d) the date at or by which it is payable, and
  - (e) the manner in which it is payable.
- (7) Subsection (6) applies whether or not any payment has been made.
- (8) The jurisdiction conferred on a leasehold valuation tribunal in respect of any matter by virtue of subsection (6) is in addition to any jurisdiction of a court in respect of the matter.
- (9) No application under subsection (6) may be made in respect of a matter which—
- (a) has been agreed or admitted by the person concerned,
  - (b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which that person is a party,
  - (c) has been the subject of determination by a court, or
  - (d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.
- (10) But the person is not to be taken to have agreed or admitted any matter by reason only of having made any payment.
- (11) An agreement (other than a post-dispute arbitration agreement) is void in so far as it purports to provide for a determination—
- (a) in a particular manner, or

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(b) on particular evidence,  
of any question which may be the subject matter of an application under subsection (6).

(12) In this section—

“post-dispute arbitration agreement”, in relation to any matter, means an arbitration agreement made after a dispute about the matter has arisen, and

“arbitration agreement” and “arbitral tribunal” have the same meanings as in Part 1 of the Arbitration Act 1996 (c. 23).

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**Commencement Information**

**19** S. 159 wholly in force at 30.3.2004; s. 159 not in force at Royal Assent see s. 181(1); s. 159 in force at 30.9.2003 for E. by S.I. 2003/1986, **art. 2(a)**; s. 159 in force at 30.3.2004 for W. by S.I. 2004/669, **art. 2(a)**

**Status:**

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