

## **Understanding Section 20 Consultations**

As a leaseholder or tenant paying a variable service charge, you are obliged under the terms of your lease or tenancy agreement to pay towards the cost of services, repairs, maintenance or improvements to your flat, building and estate.

Section 20 of the Landlord and Tenant Act 1985 requires us to provide you with details and ask for your opinions about intended works and services. This is known as consultation. Section 20 sets out the way we must consult with you. If we do not do this, we might not be able to charge you the full cost of the works and services.

This leaflet is provided to help you understand the consultation process and provide answers to some frequently asked questions.

This leaflet accompanies a notice of proposal to enter into a qualifying long term agreement.

This leaflet is not a substitute for the formal notice which should be read in full.

## **Frequently Asked Questions**

### **Why was a notice of proposal sent to me?**

The notice is served on:

- leaseholders
- tenants paying a variable service charge
- secretaries of Recognised Tenants' Associations
- leaseholders who have purchased off-plan, but might not yet have signed their lease.

If you have received the notice and you are not the leaseholder for the property, please pass this notice on.

### **Why was a notice of proposal necessary?**

As your landlord, we are obliged to serve you with a notice outlining the details of the proposed qualifying long term agreement. We have served the notice of proposal on you to ensure compliance with our legal obligations.

The notice of proposal follows a previous consultation entitled Notice of Intention which was carried out in May 2014 and a copy of which can be located at the following address [www.metropolitan.org.uk/customers/leaseholders](http://www.metropolitan.org.uk/customers/leaseholders)

### **What is a qualifying long term agreement?**

A qualifying long term agreement is one where the cost of services or works is likely to be more than £100 (one hundred pounds) for a leaseholder in any accounting period. Most of our service charge accounting periods run from April 1 to March 31.

A qualifying long term agreement is sometimes referred to as a 'long term agreement' or a 'QLTA'.

QLTAs are used because they provide an efficient way to get work done and are more cost-effective for our leaseholders and tenants. Giving contractors a longer contract helps keep costs down.

### **Metropolitan is not the Freeholder of my building?**

If Metropolitan is not the freeholder of your building, then it is possible the responsibility for maintaining and insuring the estate areas may rest with a third party. If this is the case, this notice may not be relevant to you. In some instances, we may still be responsible for maintaining and insuring some external areas of a block, in which case this notice will be of relevance to you. If you are unsure whether this notice applies to you, please contact us or send in any observations that you may have about the consultation. Our contact details are at the end of this leaflet.

### **Metropolitan is not responsible for buildings insurance for my building or estate.**

If the building or estate are managed or owned by another company or organisation, they may be responsible for ensuring that the building insurance is in place.

Your lease will state who is responsible for insuring the building and to whom any insurance premium should be paid. A copy of your lease can be obtained from the Land Registry: [www.landregistry.gov.uk](http://www.landregistry.gov.uk) or by phone 0844 892 1111

Some properties such as those under the DIYSO scheme may be responsible for their own insurance.

Your service charge summary and demands will show whether you pay for buildings insurance to Metropolitan.

### **How have Metropolitan sought the Insurance Provider?**

Metropolitan re-tender their insurance cover utilising the Government Procurement Service and Pro 5 (GPS pro 5) procedure.

Metropolitan engaged the services of a global insurance broker to assist them in the selection of appropriate insurance carriers who were invited to tender via the GPS Pro 5 Insurance framework lot 1. The contract was to be awarded on the basis of the most economically advantageous tender – in other words, the best value for money and service,

however, insurance carriers will be required to carry a financial rating commensurate with underwriting for a large national provider of housing.

The 2014 Retender process did not generate the anticipated competitive pricing due to the poor Metropolitan claims record on both the Metropolitan owned and the Leasehold elements of the property portfolio - the number and value of Leaseholder claims made and reserved since 2008/09 has been in excess of 1,000 at a value of > £3.3m. Zurich were the only insurer to offer comprehensive cover but the proposed premiums to be charged by Zurich increase by 13% from April 2015 – this is a direct result of the poor claims history. Metropolitan will continue to work with the insurers looking at the cover/levels of excess in an attempt to improve the claims history and to reduce the premiums paid by Leaseholders

### **Did any leaseholders have the opportunity to nominate a contractor?**

Metropolitan did not invite leaseholder nominations for companies to tender for this contract due to the specialist nature and the use of the Government Procurement Service and Pro 5 procedure.

### **How do I make observations?**

Observations must be delivered to the address below or by email on or before 22 February 2015. The notice is dated 14 January 2015 and the consultation period ends on 22 February 2015.

A reply form is included for your convenience. You do not have to return this if you do not choose to make any observations.

You can send written observations about the relevant matters specified in the notice of intention to:

Jo Hinton – Leasehold Manager, Metropolitan Housing Trust Ltd  
The Grange, 100 High Street, Southgate, London, N14 6PW

Alternatively, you can email your observations to: **[consultation@metropolitan.org.uk](mailto:consultation@metropolitan.org.uk)**. Please ensure you note your name and address with your observations and make reference in the title to 'Insurance Consultation'.

Observations received after 20 February 2015 or sent to another address will not be considered.

### **What will Metropolitan do with my observations?**

Regulations require us to have regard to your observations, which we will.

### **What happens next?**

On closure of the consultation Metropolitan will have given regard to all written observations raised by leaseholders. It is proposed the new agreement would be entered into from 1<sup>st</sup> April 2015.

### **What does the term 'Re-Instatement Value' mean?**

Building insurance is not based on the market sale or purchase value of your house but for its "reinstatement". This means completely rebuilding your home - from clearing the site to all costs involved in rebuilding using like materials and methods of construction. This could apply to anything from sourcing a specific building stone or roof tiles, to recovering historic fireplaces etc.

### **How do you apportion the increase in premium?**

Metropolitan provide the total reinstatement value of the stock to be insured to the insurers who calculate the premium based on the entire value irrespective of location, claims history etc and once the premium is determined this is pro-rated across all units. It is not possible to differentiate Metropolitan addresses in terms of claims history and therefore calculate different premiums.

### **Contents Insurance**

This consultation and procurement of insurance is for buildings insurance only. Contents insurance is not a part of this consultation. Leaseholders and tenants are responsible for arranging their own contents insurance provision.

### **Contacting us:**

**If you wish to have an informal discussion about the consultation please contact Customer Services on 020 3535 3535 or email us at [contactus@metropolitan.org.uk](mailto:contactus@metropolitan.org.uk)**

**Thank you**