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**RESIDENTIAL PROPERTY TRIBUNAL SERVICE**

**LEASEHOLD VALUATION TRIBUNAL FOR THE EASTERN RENT ASSESSMENT  
PANEL**

**Case Number CAM/00MC/LSC/2005/0071**

**Landlord and Tenant Act 1985 (as amended) section 27A ("the Act")**

**In the matter of Flats 7 – 12 and 14 – 86, Rowe Court, Grovelands Road,  
Reading RG30 2HY**

**Parties:**

**Rowe Court Management Company (Reading) Limited  
Applicants**

**Represented by Redhatch Property Management  
Limited**

**Regisport Limited Respondents  
Represented by Pier Management Limited**

**Tribunal members:**

**Mr A A Dutton Chair  
Mrs H C Bowers MRICS**

**Decision date**

*10 May 2006*

**A. BACKGROUND**

1. This application was made by Redhatch Property Management Limited (Redhatch) on behalf of Rowe Court Management Company (Reading) Limited under section 27A of the Act seeking a determination as to the level of insurance premium being charged by the Respondent Landlord for the insurance of the premises for the year ending 31<sup>st</sup> May 2006 in the sum of £10,858.40.
2. In directions given by the Tribunal in January 2006 it was ordered that the matter in dispute be dealt with by way of written submissions.

**B. EVIDENCE**

3. Redhatch supplied the following documents
  - (i) a statement from Mr Clive Randy a director of Rowe Court and a letter he had written to Pier Management Limited in April 2005 concerning the level of insurance premium being charged.
  - (ii) the current and previous years certificate of insurance for the premises through Allianz Cornhill. These showed that the premium for the year to June 2005 was £10,365.08 and the year in dispute £10,858.40,
  - (iii) a certificate of insurance for the year to 31<sup>st</sup> May 2004 showing a premium of £9,809.45
  - (iv) two quotations, one from St Giles Insurance & Finance Services Limited with a total premium payable of £6,249.44 and the other from Stride Limited showing a total premium payable of £6,521.65.
4. Apparently Stride has arranged cover for the premises in the year 2003/2004 and would therefore have been aware, at least in part, of the claims history for the premises.
5. Regis Group PLC supplied their submission in a letter dated 7<sup>th</sup> April 2006. It detailed the claims history in the last two years. The letter also highlighted the differences in the policy excess quoted by St Giles and Stride, which was £250, as against the £50 excess on the Allianz Cornhill cover. They suggested that insurance premiums as a whole had increased substantially over the last few years.
6. By a letter dated 12<sup>th</sup> April 2006 Redhatch responded to the letter from Regis. This response confirmed that the claims history had been put to St Giles who did not seek to alter the premium quoted. It also stated that the policy excess could be matched by reducing that to £50 per claim with the

accompanying statement that this would have "the result of even greater cost saving for the residents, as the premium will reduce further". The letter also commented on a tribunal case put forward by Regis as an authority to be considered in this matter.

### **C. THE LAW**


7. Section 27A of the Act provides that a tribunal may determine whether a service charge is payable and if it is by whom it is so payable, to whom it is payable, the amount, the date and the manner of payment. We should in passing refer to section 30A of the Act, which in a schedule added by the Commonhold and Leasehold Reform Act 2002 gave tenants certain rights in connection with the production of insurance details and the right to challenge the landlord's choice of insurer where the tenant was required to insure the premises (see paragraph 8 to the schedule to the Act). The provisions contained at section 164 of the 2002 act do not apply in this case.

### **D. DECISION**


8. The Applicants appear to be under the misapprehension that we can order the change in the identity of the insurer for the premises. The lease clearly provides that it is the Landlord who must insure. The ability to change the insurer does not apply in this case. It is confined to individual houses and circumstances where the tenant has to insure, but must use an insurer of the Landlord's choice (see para 7 above).
9. The only question for us to determine is whether or not the insurance premium, which is covered by section 27A is reasonable, or not.
10. It is established law that the Landlord does not need to trawl the insurance world to find the cheapest cover available. If he can show that he has gone to the market and chosen an insurer of repute to provide suitable cover, then a tribunal will be slow to interfere with the premium payable, in the absence of evidence to show that alternative cover, as good as that in place can be obtained for a lesser sum.
11. It is also right to say that details of any commission obtained should be disclosed and credit given to the paying lessees. The landlord cannot make a profit out of the services he provides. The Respondent was ordered to disclose the details of any commission and also the basis upon which the premium and the sum insured was calculated. They failed to do both. In

addition there is no evidence before us of a review of the market to ensure that an appropriate premium is being paid.

12. Against that we have some concerns that the alternative quotes are not like for like. The description of the property, for example, records for the St Giles' quote, that it is one block of 79 flats and Stride has it recorded as converted flats, notwithstanding that they arranged the insurance in the year 2003/4. Despite what Redhatch said in their response it seems to us that the smaller the policy excess the higher will be the premium.
13. We find that the Applicants have put forward quotations with reputable companies which causes us to question the level of premium that the landlord seeks to charge. It is interesting to note that the premium for terrorism cover for Stride and for Allianz Cornhill is very close.
14. In the absence of any evidence from the Respondent we suspect that there is an element of commission being paid which has not been disclosed but we do not make any finding as to what that may be. The difference between the premium payable and the two quotes obtained, in the region of £4,000 or more, is too great to be ignored. However, there is some concern that we are not dealing with a like for like quote and we note that there is no evidence that Stride would have maintained the quote had they been told of the claims history in the last two years. Further, we suspect that the premiums offered may be influenced by the wish to attract new business.
15. Taking the matter in the round we propose to make a reduction of 20% on the premium for the year ending 31<sup>st</sup> May 2006, which was £10,858.40, reducing same to a rounded figure of £8,700. This, in our finding is a reasonable reduction to reflect the alternate quotes but our concerns as stated above and sits with our own knowledge and experience of the insurance market for this type of accommodation.
16. For the following year we trust that the Respondent will disclose the commission being received, if any, and will request that the broker it employs, does some research in the market before cover is placed.



Chairman



Date