



Residential
Property
TRIBUNAL SERVICE

**RESIDENTIAL PROPERTY TRIBUNAL SERVICE
DECISION BY LEASEHOLD VALUATION TRIBUNAL for the
LONDON RENT ASSESSMENT PANEL**

LANDLORD AND TENANT ACT 1985 Sections 27A(1) and 20C

Ref : LON/45UH/LSC/2010/0432

Address: 1 to 9 and 13A Langton Road, Worthing, West
Sussex, BN14 7BZ

Applicants: The lessees of flats 1-9 and 13A

Respondent: G & O Securities Limited

**Date of paper
determination:** 9 September 2010

Tribunal: Mrs Sonya O'Sullivan
Mr Derek Huckle FRICS

Background

1. By an application dated 9 June 2010 the Applicants sought a determination of the reasonableness and/or liability to pay service charges under section 27A of the Landlord and Tenant Act 1985 ("the Act"). This case has been transferred from the Southern Panel due to a perceived conflict of interest.

2. The determination is sought in respect of the buildings insurance premium incurred since the Respondent purchased the freehold reversionary interest in the property known as 1 to 9 and 13A Langton Road, Worthing, West Sussex BN14 7BZ (the "Property"). The years in question are stated in the application to be from 7 March 2008 to June 2008 and the years June 2008/09, 2009/10 and 2010/2011. The Applicants also seek an order limiting the recovery of the cost of these proceedings though the service charge.
3. The question posed by the application was simply "why the cover is so expensive when independent quotes show that it can be obtained cheaper?"
4. The insurer is AXA insurance through brokers, Genavco Insurance Ltd. The insurance premiums in issue (all inclusive of IPT) are as follows:

7 March 2008 to 23 June 2008	£853.79
24 June 2008 to 23 June 2009	£2,854.47
24 June 2009 to 23 June 2010	£2,939.49
24 June 2010 to 23 June 2011	£2,939.49
5. At least four of the nine flats at the Property are currently sublet.
6. Directions dated 23 June 2010 were issued by the Tribunal. In accordance with those directions a bundle was prepared by the Applicants and lodged with the Tribunal.

Evidence

7. The directions provided for the Respondent to provide copies of documentation relating to the insurance by 16 July 2010 with the Applicants serving a statement of case and any alternative premiums relied upon by 30 July 2010. The Respondent was then to send a response to their case by 13 August 2010.
8. The Respondent failed to comply with the first direction and wrote to the Tribunal by letter dated 28 July 2010 providing some of the information required and confirming that they were seeking further information from the brokers in relation to the claims schedule. It was confirmed that no recent valuation of the Property had been obtained for insurance purposes. By letter dated 26 July 2010 the managing agents confirmed that the Respondent receives a commission equivalent to 20% of the premium, although the Tribunal was not provided with any written confirmation from the brokers in this regard. No information has been provided to the Tribunal in relation to the

claims history of the Property despite the agents' assertion in their letter of 28 July 2010 that they were seeking instructions.

9. In March 2010 the Applicants had obtained three quotations as follows:

County Insurance Brokers £1,139.94 inclusive

Residentsline £1,058.32 inclusive

1 Answer Insurance Ltd £1,350.00 inclusive

10. The quotations provided by the Applicants were criticised by the Respondent for not being "like for like" cover on the basis that the Residentsline (Zurich Insurance) quotation contains qualifications in the type of tenancy and other points and the County Insurance Brokers quotation is stated to be subject to a satisfactory Statement of Facts and they also point out that they have made certain assumptions. No comments were made by the Respondent in relation to the quotation provided by 1 Answer Insurance Ltd.

11. The Respondent also points to the fact that four of the nine flats in the Property are known to be sublet and in the case of three of those flats it is not known on what basis they are occupied. In their letter of 19 July 2010 the managing agents state that their client's brokers are satisfied that the AXA cover is sufficiently wide to provide comprehensive insurance and certainty of protection required by freehold ground rent landlords. Letters were sent by the managing agents to the three brokers who had provided quotations inviting them to comment on this issue. No responses to those letters are included in the bundle.

The Tribunal's decision

12. The AXA Insurance policy certificate indicates that cover includes the following:

Building declared value: £876,456

Property Owners' liability: £5 million

Rents/alternative accommodation: 20% of declared value

Includes terrorism (all risk)

13. The quotation from County Insurance Brokers did not sufficiently indicate the extent of the cover. For this reason the Tribunal found that this was not a good comparable and could not be relied upon.

14. The quotation from 1 Answer Insurance Ltd was for cover identical to that presently provided.

15. The quotation from Residentsline provided the same declared value for buildings and in addition £25,000 for communal contents. However terrorist insurance would have to be provided separately at additional cost.
16. The Tribunal noted that the Respondent had failed to comply properly with the directions made. The only information provided directly by Genavco Insurance, the current brokers, dated 25 August 2010 merely indicated that they considered the AXA cover to be comprehensive, compatible with needs and at a competitive premium. It failed to adequately address the different levels of premium being quoted elsewhere, any difference in levels of cover and why it was argued by the Respondent that the Applicants' quotations were not "like for like".
17. The Tribunal considered that the quotation provided by 1 Answer Insurance Ltd was a good comparable in that it provided identical cover to that currently held. The Residentsline quotation would need to be increased to allow for equivalent terrorism cover.
18. The Tribunal has not been provided with any information in relation to the claims history and the position in relation to the sublettings is unclear. Accordingly the Tribunal considers that an allowance should be made to reflect any increase in premium due to these uncertainties.
19. Taking all these factors into account the Tribunal considered that a reasonable insurance premium for the Property for each of the full years before the Tribunal is £1,500 per annum inclusive of IPT (such sum to be apportioned in respect of 2008 from 7 March 2008).
20. The Applicants also made an application under section 20C of the Act. The Tribunal has the discretion to make this order if it considers it reasonable to do so in the circumstances. The Respondent had failed to comply fully with the directions. It had not provided all the information requested. The Tribunal had substantially reduced the insurance premiums. As a result the Tribunal considered that it was appropriate to make an order under section 20C. The Respondent is therefore prevented from recovering its costs of these proceedings through the service charge.

Chairman: Sonya O'Sullivan

Dated: 9 September 2010

