Transparency Without Remedy? An Overview of the Leasehold and Freehold Reform Act 2024

Ayesha Omar

Barrister, 4-5 Gray's Inn Square, UK

Philippa Seal

Barrister, 4-5 Gray's Inn Square, UK

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The most common question asked of the Leasehold Advisory Service is deceptively simple: must the leaseholder actually pay the service charge demanded by the landlord? That question sits at the heart of the government's current leasehold reform agenda. Ministers have recognised that, for many leaseholders, service charges are not only expensive but opaque: demands arrive in varying formats, supporting information is inconsistent, and the basis upon which costs are calculated is often difficult to decipher. The result is a system in which leaseholders may technically possess rights of challenge, while lacking the practical information needed to exercise them effectively. The Leasehold and Freehold Reform Act 2024 (the 2024 Act), which received Royal Assent on 24 May 2024, represents the most significant legislative intervention in this area for many years. A substantial part of the 2024 Act is directed towards standardisation and transparency in service charges. Once implemented, the reforms are intended to place leaseholders in a stronger position to scrutinise, compare and, where appropriate, challenge charges said to be payable under their leases. The policy assumption appears to be that better-informed leaseholders will be better placed to utilise existing statutory protections. The decision of the Court of Appeal in Bradley v Abacus Land 4 Ltd [2025] EWCA Civ 1308; [2026] L. & T.R. 4 offers both a compelling illustration of why those reforms are needed and a salutary reminder of their limits. The case raises a question that the 2024 Act does not directly answer: what use is transparency if the legal threshold for challenging a landlord's decision remains so high that well-informed leaseholders face the same obstacles as uninformed ones? This article sets out the principal reforms introduced by the 2024 Act, examines the Bradley decision in detail and assesses where those reforms would and would not have made a difference to the leaseholders in that case.

The 2024 Act

The 2024 Act does not seek to alter the fundamental reasonableness jurisdiction under s.19 of the Landlord and Tenant Act 1985 (the 1985 Act). Instead, the focus is upon improving the information available to leaseholders before disputes arise. For now, however, much of the intended reform remains aspirational. The majority of the relevant provisions are not yet in force and will require extensive secondary legislation before they become operational.

That process is already underway. Between 4 July and 26 September 2025, the government consulted on measures aimed at curbing opaque and excessive insurance-related charges imposed by freeholders, landlords and managing agents, particularly those arising from commissions. The consultation forms part of the broader transparency agenda underpinning the 2024 Act, and responses are currently being analysed ahead of implementation.

The principal proposed reforms concerning service charges can be grouped into seven broad themes.

(1) New annual report

The introduction of an annual report (a new s.21E in the 1985 Act) is intended to give leaseholders an understanding of the health and condition of their building and notify them of relevant information about the year ahead including key dates: when service charge demands will be made, when surveys and/or major works are planned. Additionally, the annual report would set out leaseholders' rights (including to whom to complain), and details of any statutory proceedings (for example,any ongoing enfranchisement complaint, or any enforcement action against the landlord).

The consultation invited views on when an exemption to providing an annual report should apply (for example, landlords of intermediate leases), and how to address a situation where a landlord does not hold information directly and has to obtain it from a third party.

(2) Standardising the service charge demand

Under the current law, the formal requirements for a service charge demand are surprisingly limited. A demand must contain the landlord's name and address pursuant to s.47 of the Landlord and Tenant Act 1987, together with the summary of rights and obligations required by s.21B of the 1985 Act. Beyond that, the adequacy of the demand is largely governed by the lease itself, with disputes frequently determined by applying the "reasonable recipient" test.

The government's view appears to be that this patchwork approach contributes significantly to confusion. A standardised service charge demand form, by contrast, could allow leaseholders to understand more readily what they are being charged for and to compare expenditure from year to year. Additionally, prescribed information, and consistency in how it should be provided would help leaseholders understand the demands. The consultation, therefore, sought views on the minimum information that all service charge demands should contain.

In particular, consideration was given to requiring an annual budget to accompany the initial demand, setting out anticipated annual expenditure under standardised cost headings. It is proposed that the core information that should be included within a service charge demand includes: the overall amount payable for the relevant period in relation to the annual budget, details of how to pay and by when and consequences of non-payment, and where to go for help if the leaseholder wishes to query the bill or will have difficulty paying it. The policy aim is clear enough: to enable leaseholders not merely to anticipate and pay bills, but to understand them.

At the same time, there is an unavoidable tension within the proposals: transparency carries administrative cost. The challenge for government will be finding a balance between providing genuinely useful information to leaseholders and avoiding a disproportionate compliance burden for landlords and managing agents. The 2024 Act, therefore, introduces a new s.21C into the 1985 Act, providing that a landlord may not demand payment of a service charge unless the demand:

(a) is in a specified form;

(b) contains specified information; and
(c) is provided in a specified manner.

The consequences of non-compliance may be significant, see (5) below. A tenant will be able to apply to the Tribunal on the basis that payment has been demanded otherwise than in accordance with the prescribed requirements. Under the proposed new s.25A(1) and (2), the Tribunal may order the landlord to reissue the demand in the correct form and may also award damages of up to £5,000 to the tenant, a departure from the 1985 Act.

(3) Greater clarity over future service charge demands

The current position under s.20B of the 1985 Act is well known: a landlord must demand payment within 18 months of the relevant costs being incurred, failing which the leaseholder is generally not liable to contribute unless notified in writing within that period that costs have been incurred and will later be demanded.

Although the Court of Appeal emphasised the strictness of these statutory time limits in *No.1 West India Quay (Residential) Ltd v East Tower Apartments Ltd* [2018] EWCA Civ 250; [2018] 1 W.L.R. 5682 (and, indeed, found in favour of the leaseholder), uncertainty remains over a more fundamental question: when are costs actually incurred? Is it when the contractor submits an invoice? When the landlord pays it? Or at some other point in the accounting process?

The reforms seek to reduce that uncertainty. The 2024 Act amends s.20B by requiring landlords to issue what is termed a "future demand notice". This notice must inform the tenant that relevant costs have been incurred and that the tenant will subsequently be required, under the lease, to contribute through a variable service charge. Again, the emphasis is on standardisation. The notice must be in a prescribed form and include specified information, including:

- an estimate of the costs incurred;
- the tenant's anticipated contribution; and
- the expected date by which the service charge demand will be issued.

In practical terms, the reform attempts to replace ambiguity with advance warning. Whether it succeeds may depend less on the statutory wording and more on how prescriptive the eventual regulations prove to be.

(4) Expanded rights to obtain information

Leaseholders already possess certain statutory rights to obtain information concerning service charges. Under s.21 of the 1985 Act, a leaseholder may request a summary of relevant costs; s.21A permits the withholding of payment in certain circumstances where information is not provided; and s.22 entitles leaseholders, within six months of receiving a summary, to inspect supporting accounts, receipts and other documents. The criticism has long been that these rights are reactive, cumbersome and often insufficient in practice.

The 2024 Act attempts to move the dial further towards disclosure. By inserting a new s.21F into the 1985 Act, the legislation envisages a prescribed list of information which landlords must make available upon request. The consultation sought views not only on the categories of information that should be included—particularly in relation to management and financial matters—but also on the mechanics of disclosure itself: how information should be provided, within what timeframe, and whether exceptions should exist for commercially sensitive material or vexatious requests.

Taken together, these reforms reveal a broader policy direction. The government's objective is not simply to regulate the amount leaseholders pay, but to reshape the informational imbalance that has historically characterised residential service charge disputes. Whether the reforms ultimately deliver meaningful transparency will depend heavily on the detail of the secondary legislation still to come. The success of any reform may also depend upon whether standardisation produces information that leaseholders can realistically use, rather than merely increasing the volume of material they receive. The challenge for government is therefore not simply disclosure, but effective disclosure.

(5) Enforcement

The 2024 Act also introduces a significant change to the enforcement of service charge obligations. Under s.25 of the 1985 Act, a landlord's failure to comply with the statutory information duties under s.21 (provision of service charge information), s.22 (request to inspect supporting accounts) and s.23 (request relating to information held by superior landlord) is a criminal offence, enforceable through prosecution. In practice, however, this mechanism is rarely invoked and offers little direct redress to individual leaseholders see, *Di Marco v Morshead Mansions Ltd* [2014] EWCA Civ 96; [2014] 1 W.L.R. 1799.

Section 58 of the 2024 Act repeals s.25 and inserts a new s.25A: Leaseholders may apply directly to the appropriate tribunal where a landlord has failed to comply with the new requirements relating to service charge demands and reporting. The tribunal may order compliance, and award damages not exceeding £5,000 and make consequential orders. The proposed reform demonstrates a clear departure from the 1985 Act: enforcement is shifted away from a largely unused criminal sanction towards a tenant-led civil remedy designed to secure compliance and provide compensation for breach.

(6) Limiting the rights of landlords to claim costs from tenants

Section 62 of the 2024 Act represents significant departure from the existing statutory framework. Under the existing s.20C of the 1985 Act and para.5A of Sch.11 to the Commonhold and Leasehold Reform Act 2002, the burden falls upon leaseholders to apply for an order preventing the landlord from recovering legal costs through the service charge or as an administration charge. The default position is currently that the contractual costs recovery provisions are enforceable unless successfully challenged.

The 2024 Act reverses that presumption. A new s.20CA provides that a landlord's litigation costs are not to be regarded as relevant costs for the purposes of a variable service charge, while new para.5B of Sch.11 provides that such costs are not payable as an administration charge. In both cases, the landlord must apply to the court or tribunal for an order permitting recovery. Under the 2024 Act, the burden, therefore, shifts from the leaseholder seeking protection from adverse costs recovery, to the landlord seeking permission to recover those costs at all.

(7) Tenant's right to claim litigation costs from landlords

A further innovative provision is the proposed s.30J of the 1985 Act (inserted by s.63 of the 2024 Act), which creates a statutory mechanism by which tenants may recover litigation costs from landlords.

The proposed s.30J seeks to address the existing imbalance in favour of landlords. It implies a term into every relevant lease providing that, where relevant proceedings exist between landlord and tenant and the tenant applies to the court or tribunal, the court or tribunal may, if satisfied that it is just and equitable to do so, order the landlord to pay all or part of the tenant's litigation costs.

The provision, therefore, introduces a discretionary statutory costs-shifting mechanism in favour of tenants. While the jurisdiction is framed in broad terms and much will depend on how the courts and tribunals exercise the "just and equitable" discretion, the reform represents a notable departure from the traditional approach to costs in residential leasehold litigation and may materially improve access to justice for leaseholders seeking to challenge disputed service charges.

The Bradley decision

The facts of *Bradley v Abacus Land 4 Ltd* [2025] EWCA Civ 1308 can briefly be summarised. Romney House was a converted office block in Westminster containing 168 residential flats, four commercial units on the ground floor and a basement gym. Under the terms of the lease, the landlord was required to keep in repair all of the common parts of the block, including the gym. The commercial tenants and residential leaseholders were required to pay a service charge being a proportion of the landlord's expenditure on the block.

The service charge was divided into three elements: Building Service Charge Items (chargeable both to the residential leaseholders and the commercial tenants), Residential Service Charge Items (chargeable to residential leaseholders) and Parking Service Charge Items (chargeable to leaseholders who had a right to use the car park). Paragraph 10(f) of Sch.4 to the lease provided:

> "… the Landlord shall be entitled in its reasonable discretion to designate whether such an item of expenditure shall be treated as a Residential Service Charge Item and/or a Building Service Charge Item and/or a Parking Service Charge Item."

From 2006–2013, the residential leaseholders had exclusive use of the gym, and the entirety of its maintenance costs were charged to them through the service charge without complaint. In October 2013, the landlord's predecessor granted a 999-year lease of the gym ("the Gym Lease") to Mr White, who operated a personal training business there. This agreement was expressly made subject to the residential leaseholders' continuing right to use the gym. Under the terms of the Gym lease, the landlord remained obliged to maintain the gym equipment and supply, at its own cost, heating, lighting, water and electricity for the gym. Notwithstanding this shared arrangement, the landlord continued to designate 100% of the costs of maintaining the gym under the service charge, passing the full burden onto the residential leaseholders. An annual rent of £5,000 received from Mr White in rent was credited to the service charge account as a partial offset but no broader reapportionment was ever made.

Following the Covid-19 lockdown, the residential leaseholders' access to the gym was considerably restricted, limited to certain hours on weekdays, with no access on Sundays or bank holidays. A dispute between the landlord and Mr. White led to a settlement requiring the landlord to undertake major refurbishment works costed at over £218,000, the rent being suspended for three years and with it, the credit that had previously reduced the leaseholders' service charge liability. The landlord served notice of its intention to recover the cost of the major works from the residential leaseholders through the service charge.

In December 2022, two leaseholders applied to the First-tier Tribunal (FTT) under s.27A of the 1985 Act challenging whether the landlord was entitled to include the entirety of the gym costs in the Residential pot. The FTT dismissed the application, finding that the landlord had acted reasonably in designating all gym costs to the residential leaseholders. The Upper Tribunal allowed an appeal, concluding that it was "manifestly unfair" for the leaseholders to pay the whole of the gym costs when they no longer had exclusive use of the gym. The Court of Appeal allowed the landlord's further appeal and restored the FTT's decision.

The key question was the appropriate standard of review applicable to para.10(f) of Sch.4 to the lease which conferred on the landlord a "reasonable discretion" to designate expenditure as a Residential, Building or Parking Service Charge Item. The Court of Appeal held that the issue was simply whether the landlord had acted in breach of contract: the lease conferred a discretion on the landlord thus entitling it to choose between a range of possible views. The correct test was neither one of "rationality" nor "objective reasonableness". Instead, the landlord would only be in breach if its decision was one that no reasonable landlord could have reached. Applying that standard, the FTT's conclusion that the landlord's decision fell within the range of permissible views was a finding that could not be disturbed on appeal.

Would the reforms have assisted the leaseholders in Bradley?

First, the annual report required by the new s.21E would, from the outset of each service charge year, have set out the basis on which the landlord was allocating gym costs. Secondly, the standardised service charge demand required by the new s.21C would have made the allocation visible on the face of each annual demand. Thirdly, the expanded information rights introduced by the new s.21F would have given leaseholders a statutory basis on which to request the landlord's reasoning for the cost allocation.

The difficulty, however, is that transparency, however valuable, would not have changed the outcome in this case. The 2024 Act does not alter the standard applicable to the exercise of a landlord's contractual discretion over the designation of service charge items. That question is governed entirely by the terms of the lease and the general principles of contract law.

Bradley illustrates that the existing protections, properly understood, afford landlords a very wide discretion in making cost allocation decisions. Knowing precisely what you are being charged does not help if the legal threshold for challenging that charge remains so high as to be practically insurmountable in all but the most extreme cases.

The 2024 Act improves the position of leaseholders at the margins: better understanding of the basis for charges and greater leverage in pre-dispute negotiations (direct enforcement via the FTT and recovery of litigation costs). What it does not do, however, is address the underlying legal asymmetry that *Bradley* confirms. For that, a more fundamental reconsideration of the standard applicable to landlords' discretionary decisions over service charge allocation may ultimately be required.

The law is stated as at 12 June 2026.