

# Looking After Your Money



## Looking after your Service Charge Account

Service Charges collected from all property owners ensure that all communal areas and grounds are maintained to the highest standard, buildings are insured, utility costs such as gas and electricity are paid and that all residents can enjoy a clean, pleasant and safe environment.

Each property owner contributes by means of the service charge which is normally governed by the terms of the lease. All annual service charge payments are transferred directly into a development specific bank account, held under the terms of a statutory trust, and are **not** paid into the Marlborough House Management trading bank account.

## Frequently Asked Questions

### **Q. Where are the Service Charge funds held?**

**A.** All funds paid on account are paid into an interest-bearing bank account, in the name of your development, and held under the terms of a statutory trust. The account balance accumulates interest and the accounts for each period will reflect any interest accumulated within the year.

All accounts are totally independent of the trading accounts of Marlborough House Management, or its parent company, and any money paid into this account can only be spent on your development.

Marlborough House Management currently

use Bank of Scotland for all their development account banking arrangements.

Bank of Scotland understand that all development accounts are bank accounts held under the terms of a statutory trust.

The Bank of Scotland cannot combine a development trust fund account with any other account held by Marlborough House Management or The Peverel Group.

### **Q. What are 'Reserve Funds' and what happens to the money collected?**

**A.** It is common sense and good practice to save for future known large expenditure and the proverbial 'rainy day'. That's why it is sensible for a development to have its own 'Reserve Fund'.

Reserve Funds are collected to help contribute towards the cost of non annual expenditure such as external and internal decorations, the renewal or major repair to parts of the building or plant and machinery such as lifts and pumps.

An amount is collected each year so that money is accumulated and available to meet either significant unexpected expenditure or other periodic repair or renewals.

The money is held in the same way as other service charge funds in a bank account, held under the terms of a statutory trust, with any interest being for the benefit of the reserve fund. The money can only be spent on your development.

### **Q. What if the bank where the Service Charge funds are held gets into financial difficulty?**

**A.** In the unlikely event of a UK bank or building society failing, every development's statutory trust fund account will be protected by the UK regulator, the Financial Services Authority (FSA).

The Financial Services Compensation Scheme (FSCS) confirms that an individual customer is eligible for that proportion in service charge bank accounts to which they are entitled by statutory trust up to a maximum of £50,000 compensation to cover loss.

Full details of the FSCS Guidance Note on the "Treatment of Service Charges for residential property," published by the Communities & Local Government department can be found on their website:

[www.communities.gov.uk/publications/housing/residentialservicecharges](http://www.communities.gov.uk/publications/housing/residentialservicecharges)

The guidance has been agreed with the co-operation of the Financial Services Compensation Scheme (FSCS) and sets out Communities & Local Government's understanding of how service charges would be treated in the event of a collapse of a regulated financial institution.

**Q. What if Marlborough House Management gets into financial difficulty?**

**A.** Marlborough House Management is a trading division of OM Property Management Limited. In the unlikely event that OM Property Management, or its parent company The Peverel Group, experience financial difficulty, the Service Charge fund bank account **will not be effected in any way whatsoever.**

All development trust funds are completely separate from, and protected against, any potential financial claim made against The Peverel Group. Accordingly, neither the Group's creditors, nor any liquidator, receiver or administrator will have any claim on the Service Charge bank account, held under the terms of a statutory trust.

**Q. What are the relevant legislation and industry Codes of Practice that apply to safeguard the management of Service Charge Funds?**

**A.** Marlborough House Management rigorously follows both the legislative requirements and the industry Codes of Practice issued by The Association of Residential Managing Agents (ARMA) and The Royal Institution of Chartered Surveyors (RICS) as they apply to the management of Service Charge accounts and the holding of customers' money.

The RICS Service Charge Residential Management Code (2nd Edition) has extensive

guidelines on holding customer's service charge monies in trust.

**The relevant legislation that applies to the holding of service charges is:**

- Sections 42 of the Landlord & Tenant Act 1987, as amended by the Section 156 of the Commonhold & Leasehold Reform Act 2002.
- The Service Charge Contributions (Authorised Investments) Order 1988 (SI 1988/1284). (Amended by the Financial Services and Markets Acts 2000 (Consequential Amendments and Repeals) Order 2001 (SI 2001/3649)).

**Q. Why does Marlborough House Management use the Bank of Scotland for the holding of client trust accounts?**

**A.** After a comprehensive review of potential banking partners, the parent company of Marlborough House Management, The Peverel Group, selected the Bank of Scotland as their web based account banking software offered the best possible solution that would meet both our customers' interests and our operational requirements.

Service Charge Funds are held in individually designated client accounts with Bank of Scotland to ensure that each client development funds are held completely separately from those belonging to other clients, or indeed ourselves. Bank of Scotland has a sophisticated Client Banking Service which allows us to run the accounts electronically, efficiently and accurately.

By integrating this with our property management system, we have up to the minute details of all cash balances, receipts and payments. With automatic daily reconciliation, errors are virtually eliminated. The timing of incoming and outgoing payments is monitored daily to ensure that each development client trust account earns interest for as long as possible.



**Any enquiries regarding the Bank of Scotland Client Banking Service should be directed to:-**

Peverel Limited  
Group Estates Finance & Treasury Dept.  
Wylie House  
740 Ampress Lane  
Lymington Hants  
SO41 8LW  
**Tel:** 01590 646355  
**Email:** [groupestatesfinance@peverel.co.uk](mailto:groupestatesfinance@peverel.co.uk)

**Any enquires regarding Marlborough House Management's approach to the management of Service Charge Funds should be directed via our Customer Services team:**

0845 450 622 (lo-call) **fax:** 01582 393701  
Monday-Friday 9am-5pm  
**customerservices@m-h-m.co.uk**  
**www.tm-h-m.co.uk**

**Marlborough House Management**  
PO Box 1250  
Luton, LU1 9FB

\*The 0845 number allows customers calling from BT landlines to have their call charged at a 'lo-call' rate wherever they are in the country. Mobile and other providers' charges may vary.

