

ALEP factsheet

Enfranchisement and Right to Manage

What is Right to Manage?

Right to Manage (RTM) was introduced through the Commonhold and Leasehold Reform Act 2002. It provides leaseholders the opportunity to take over the management of their property by setting up a special company ('Right to Manage Company') in order to do this.

RTM is significantly cheaper than an outright freehold purchase, since the freeholder is not being compensated for loss of the asset. However, some may see it as a 'second rate option' compared with buying the freehold. But where management quality is by far the biggest concern, it can be the most sensible option.

RTM comes with some very real responsibilities which should be taken into consideration by leaseholders before embarking on this course of action.

How does RTM work?

In order to exercise RTM, 50% or more of the long leaseholders need to join forces and serve the Notice claiming the Right to Manage. There are several steps to complete RTM:

1. The first step of this process is to incorporate a Right to Manage Company ('RTM Company'). This is a company limited by guarantee, with a prescribed constitution set out under the 2002 Act.
2. Once the company has been incorporated, all leaseholders must be invited to take part by way of a formal notice. All participants must become members of the RTM Company.
3. Once this is done, a formal Notice is served on the freeholder by the company and a handover date is specified.
4. Assuming that the process is followed correctly, the freeholder must then hand over all management functions stipulated within the leases to the RTM Company on the handover date.

The process has the advantage that it generally means that (if followed correctly) it is possible for leaseholders to change the management of a building without buying the freehold. However, the process can be open to challenge on technical grounds and it is therefore essential to ensure that expert advice is obtained.

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