

## What is a "Flat Management Company"?

Flat Management Companies are generally used for either owning the freehold interest in a development of residential flats or apartments, or as is very often the case, managing the maintenance, services or facilities for such developments.

Where separate residents or owners have a common interest in the maintenance of a building, they often take the role of directors in a flat management company, although it is commonplace for only a few to take on the responsibility for all others sharing the building. In these cases it is normal for all owners and/or residents to take a share in the company. In respect of companies set up for maintenance and management of premises, it is common for the company to be limited by guarantee in which case all owners and residents would be members of the company.

A principal benefit of this structure is that it is easy for owners of separate flats to change without upsetting the company structure. Shares or memberships can easily be transferred, and in the case of a company owning a freehold where it is likely to be a company limited by shares, the owning interest can easily be changed by the transfer of a share, rather than a process of legal conveyance.

## Key Points

- May be either a company limited by shares or a company limited by guarantee
- Beneficial for property developers planning to sell off flats or apartments in a development once completed
- Can be used to spread the freehold of a number of flats across the individual owners allowing easy transfer and sale of each flat
- Can be used purely as a vehicle to manage the maintenance of a property comprising of several flats or apartments

The Commonhold and Leasehold Reform Act 2002 contained several provisions that have been judged to be favourable to leaseholders. The immediate right to extend short leases irrespective of the time of residence has empowered occupiers to eventually consider managing the freehold for their own benefit.

By setting up a flat management company, the expenses incurred for the upkeep of the communal areas and the manner in which suppliers and services are bought in would be governed by the residence themselves. The degree of accountability is deemed to have increased as well as the effort to reduce the costs associated with their provision.