

# Your Comprehensive Guide to Residents Management Companies



Developer Eyes are proud to have been appointed as the managing agent for your Resident Management Company (RMC). We will manage the upkeep of private areas, support the operation of your RMC and execute your statutory obligations.

To assist a better understanding of the process and what it entails, we have summarised some key information for you. These summaries are not comprehensive and should be used for guidance only.

### 1. What is a RMC?

A RMC is a legal entity registered at Companies House, and has all the rights and obligations as detailed within the Articles of Association – please see Companies House for details. The purpose of the RMC is to look after the common areas of the development. The company is made up of homeowners who by means of their transfer deeds (TP1)/lease have an obligation to contribute to the RMC.

### 2. What does the RMC do?

A RMC typically looks after the common parts of a development. The individual homeowners will fund these costs by making regular contributions into a pooled fund by means of a service charge. These service charge payments are collected and administered by Developer Eyes, the appointed managing agent, and held in a trust on behalf of the RMC.

### 3. Who is a member of the RMC?

Being a homeowner/leaseholder is not the same as being a member of the RMC. All homeowners are entitled to become a member of the RMC. The process by which owners become members is dependent on what is written in your transfer deeds (TP1)/lease and in the Articles of Association for the RMC. Sometimes membership is automatic on completion of your property and other times you may have to complete an application form, which will be approved by the Directors of the RMC.

Being a member of the RMC gives you a voice in matters concerning the future of your development and how your budget is spent. As a homeowner, you will be able to attend any relevant meetings held regarding the RMC, but you will only be able to vote on issues if you are a member. Voting rights will be as per the Articles of Association for your RMC, which are available to view on Companies House.

### 4. Who controls the RMC?

Managing the RMC is the responsibility of its Directors. Directors of the RMC, whilst a site is still under construction, will usually be appointed by the developers from their employees or associates. The developers will retain control of the RMC during the construction period. Once complete, the developer's Directors will resign and homeowners will have the opportunity to put themselves forward as Directors and members of the RMC can vote them in. From this period onwards the responsibilities of the development belong to homeowners and the developer ceases any further involvement.

### 5. Who is the managing agent and what do they do?

The managing agent and RMC are two separate entities. Developer Eyes act as the managing agent and are a specialised company. The managing agent is employed by the RMC reporting to the company's directors.

Where required, the managing agent will administer the company's responsibilities and help guide the directors of the RMC through its statutory obligations. These obligations are detailed within the development leases, freehold transfers and the company Articles of Association, which sets out the rules for running the company's affairs.

## 6. What are service charges?

Service charges are payments made by homeowners for services the RMC provides, including financial, administrative and statutory requirements. Usually these charges will include the cost of management and administration fees to the managing agent, which include the setting up of the company, collecting service charge payments, arranging the necessary insurances, financial coordination, adherence to statutory requirements and providing maintenance services to name a few.

All monies collected are held in a trust for use of the RMC only. The annual service charge figure agreed with the Directors is very much dependent on the services that are required, desired and will regularly be reviewed in line with expenditure. Should there be enough monies held in trust, Directors and Members of the RMC can adjust service charge payments in line with statutory requirements. As managing agents, we want to ensure your development runs as smoothly as possible and will assist you to set your budget and costs efficiently and effectively each year.

## 7. When do I pay my Service Charge?

As per your transfer deeds (TP1)/lease, the service charge is collected upon completion of the property and every year thereafter, unless stated otherwise in your transfer deeds (TP1)/lease. All service charge monies are collected and held in a trust for use by the RMC only.

In the early stages of a development, whilst construction is still taking place, it may be unclear why you are paying the service charges. Service charges not only cover the maintenance of a site but also the costs involved in the running of the company and its statutory obligations; such as administration, secretarial, accountancy, company management fees, liaison with the developer and necessary insurances. Initially, each cost centre may not be used for works that financial year, but are utilised to build a sound foundation for the future benefit of all contributing homeowners. For example, monies collected toward maintenance, whilst the developers are still responsible for the site, will accumulate in the trust account to ensure there are enough funds to cover maintenance works once the site is handed over to the RMC.

Budgets are reviewed annually; future works and available funds are taken into account when drawing up annual budgets to ensure an efficient and effective use of available funds.

Once the site has been handed over to the RMC by the developer, homeowners and members will have a say on the annual budgets and members will be able to vote on them.

## 8. What will happen if I don't pay my service charge?

If you can't pay your service charge by the due date for whatever reason, contact your managing agent to discuss your options.

If you default on a payment, reminder notices will automatically be sent. The first reminder for each property is free of charge but please be aware that every subsequent letter will carry a charge of £25, which will be made against the RMC.

Interest can and will be charged for late payment of service charges if your transfer deeds (TP1)/lease make provision for this. Legal action could also be taken to recover the full amount owed, plus any

applicable fees and charges. Any action taken to recover costs will be at the expense of the RMC. Bad debt can therefore have a serious impact on the RMC finances and could result in higher service charges if the costs exceed those budgeted for.

Failure to pay your service charge will not hurt or affect the developer, but could render your RMC insolvent and it is this company that is legally and financially linked to your property.

## 9. What is the role of a Director?

Your RMC is set up as a limited company which means it has certain statutory obligations, such as holding an Annual General Meeting (AGM), filing company accounts, completing company secretarial duties and approving the annual service charge budget. Directors provide clear instructions to the managing agent for issues which may arise and which affect the smooth running of the RMC.

Upon completion, the developer's Director(s) will resign and all homeowners within the remit of the RMC can become a Director, if they wish.

## 10. Why should I become a Director of the RMC?

The role of Director is voluntary and comes with responsibilities that give you a direct leadership position in the future of your development. It is a good opportunity to get to know other homeowners in your development and influence important decisions that affect the community. It will give you an understanding of the matters that affect your development and input into how your service charge money is spent. You will also interact with property professionals and learn new skills. On occasion, you will be expected to give up your free time to attend board meetings. If after careful consideration you feel you may be interested in standing as Director of your RMC we would be happy to advise you, where appropriate.

## 11. What happens when the site is handed over to the RMC?

Once the site is nearing completion, the developers will contact the managing agent to arrange a site inspection. The managing agent, developer and any relevant contractors will snag the site and a list of defects will be drawn up for the developer to address. Once the site is fully complete and all defects have been addressed, a further site inspection will take place to ensure it is up to adoptable standards. Once the managing agents are happy that the site is up to the required standards the site will be handed over to the RMC.

As soon as the site has been handed over, a meeting will be called for residents and a minimum of 28 days' notice will be given, except in extraordinary circumstances when a minimum of 14 days' notice will be given. Should you not be able to attend, a homeowner proxy can be nominated to attend and you can give them the right to vote on your behalf; if you are a member of the RMC. Nominations for Directors will be requested so new Directors can be appointed at the meeting.

At the meeting, residents will be able to view the accounts, discuss the budget, vote in the new Directors and raise any concerns they may have, likewise at all future AGMs.

## 12. What if I am not happy with the service?

Developer Eyes will endeavour to assist the RMC to the best of our ability as we have your interests at heart, if however, you are not satisfied or unhappy with this service please do not hesitate to contact us on the contact details provided below, where we will attempt to rectify this for you.