

Service charges – the bad news keeps coming for tenants!

A few months ago, we discussed a case where the Court of Appeal ruled that the wording of a lease precluded the tenant from arguing that certain costs should not have been included in the service charge calculation. A recent high-profile case concerns a broadly similar issue, this time in relation to the proportion of the landlord's costs payable by a tenant.

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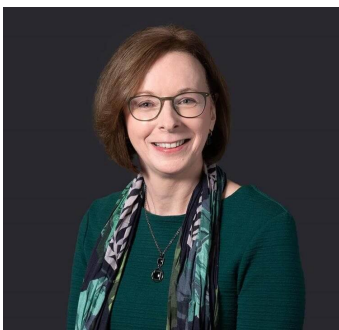
A few months ago, we discussed [a case where the Court of Appeal](#) ruled that the wording of a lease precluded the tenant from arguing that certain costs should not have been included in the service charge calculation.

Criterion Buildings Ltd v McKinsey & Company Inc (UK) & Anor [2021] EWHC 216 (Ch) (11 February 2021)

This recent [high-profile case](#) concerns a broadly similar issue, but this time in relation to the proportion of the landlord's costs payable by a tenant. In this case, the tenant was liable to pay a fair proportion to be determined by the landlord or its surveyors. The court ruled that where it made no financial difference to the landlord how costs were divided between tenants, the landlord could (subject to rationality) be trusted to make a subjective decision which could not be challenged in court.

Both of these cases show the importance for tenants of drafting leases to allow a tenant to challenge any part of the landlord's determination as to its overall service charge liability. Otherwise, a tenant may have no recourse if it disagrees with any element of the landlord's determination.

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