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Peabody Group

Independent panel finds Peabody Trust overcharged leaseholders

A report obtained by the FT highlights serious issues in how the housing association applies service charges



The Colt, one of Peabody's housing schemes in London © Kilian O'Sullivan/View Pictures/Getty Images

Madison Marriage 7 HOURS AGO

The Peabody Trust has been heavily criticised for overcharging leaseholders by an independent panel of residents tasked with scrutinising the UK housing association's interactions with tenants and homeowners.

The Resident Scrutiny Panel for Peabody, the UK's third-largest housing association responsible for 104,000 homes, issued a report in June that highlighted serious issues in how Peabody applied [service charges](#).

The panel, which last year polled 2,271 residents on their views about service charges, found 87 per cent of respondents viewed these costs as unreasonable. Nearly two-thirds of residents who queried the charges found they had been overcharged.

The panel, which also held talks with residents' associations, said the scale of service charge errors it uncovered was "shocking" and caused some residents to question whether the "apparent lack of checks left the system open to fraud".

Peabody said it was "sorry things were not good enough before" and that it had "implemented measures to improve the scrutiny and accuracy of our service charges".

The report has not been published publicly, but a copy was leaked to the Social Housing Action Campaign, a network that lobbies for better conditions for residents.

The campaign group said: "It is high time that government legislated and regulated this area of operation.

"People should only be paying for services they receive. They should be consulted before major spending decisions that they will then have to fund."

Service charges are [a big issue](#) for millions of residents across the UK who are required to pay the fees to the ultimate owner of their homes for services including repairs, gardening, cleaning and insurance.

Rapid increases to service charges were also criticised by Peabody residents. The chair of one Peabody residents' association told the panel their service charge had increased 180 per cent in 13 years, against a 43 per cent rise in inflation over the same period.

Other residents said their service charges had more than doubled in five years or fewer. "It feels like daylight robbery," one Peabody resident told the panel.

When residents successfully challenged Peabody about the overcharging, the standard response from the housing association was to blame it on an "admin error" and issue a refund, the panel found.

But obtaining a refund often took months or years, creating "considerable stress" for residents and staff, as well as affecting their health.

Residents were critical of the fact that Peabody had no incentive to verify the work done by external contractors or the appropriateness of the charges incurred. One resident said he had started replacing lightbulbs in communal areas himself to avoid a £120 charge from a contractor.

Peabody's leasehold collections department, which chases residents for unpaid fees, had a default policy of sending standardised threatening letters to residents. This occurred even when Peabody's property accounts team, which handles queries about service charges, had agreed that some residents did not need to pay all charges until their dispute was settled.

The panel was also told by members of the accounts team that it was "grossly understaffed" with 12 employees dealing with 66,000 properties. The leasehold collections team in contrast had 100 staff. Peabody disputed that there were only 12 staff involved, saying that there were teams other than property accounts dealing with service charges.

Peabody has been served with 15 recommendations by the panel, including changing the property accounts team's primary focus to accuracy instead of income maximisation.

Peabody's management team said in response to the panel that it took the recommendations "extremely seriously" and would attempt to implement most of them.

The housing association, which is due to meet the panel this month, told the Financial Times: "We know that improvements need to be made to both the way service charges are collected and in how we deal with and answer customer queries about them.

"Errors and inconsistencies are incredibly frustrating for residents and we have been working hard to improve our processes, communication and services both before and since this research was undertaken last year."

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