

COMPANY TYPES & REGISTERS

Right to Manage (RTM) Companies: Setting Up and Running One

How leaseholders form an RTM company to take over management of their building, what premises qualify, the claim steps and what the company must do afterwards.

What the right to manage is

Leaseholders of flats can take over the management of their building from the landlord without proving any fault, by exercising the right to manage under Part 2, Chapter 1 of the Commonhold and Leasehold Reform Act 2002. The right is exercised through a right to manage (RTM) company, a company the leaseholders form for that purpose. The landlord remains the owner of the building; the RTM company takes over the management functions in the leases, such as repair, maintenance and services, and the leaseholders gain control of how they are carried out.

The company

An RTM company is a private company limited by guarantee whose articles state that its object is to acquire and exercise the right to manage the premises (s.73). The articles must be in the form prescribed by regulations, so a general-purpose guarantee company will not do. Its members are the qualifying tenants who join, and, once the right is acquired, the landlord and anyone with a management role under the leases are entitled to join as well. Directors are normally leaseholders, and they owe the usual statutory duties.

Which premises qualify

The premises must be a self-contained building, or part of a building that is structurally detached, containing at least two flats held by qualifying tenants. Those qualifying tenants must hold at least two-thirds of the flats in the premises. A qualifying tenant is a leaseholder under a long lease, generally one of more than 21 years.

Mixed-use buildings can qualify too, but there is a limit on the non-residential part. Under the Leasehold and Freehold Reform Act 2024, from 3 March 2025 that limit rose from 25% to 50% of the internal floor area, excluding common parts, so more mixed-use buildings now qualify.

Key points

- No fault by the landlord needs to be shown.
- The company is a guarantee company with prescribed articles.
- At least half the flats' qualifying tenants must be members when the claim is made.
- The non-residential limit rose to 50% from 3 March 2025.
- Disputes go to the First-tier Tribunal.
- The RTM company takes over management, not ownership.

The steps

1. **Form the company.** Incorporate with the prescribed articles.
2. **Invite the other leaseholders.** The company gives a notice of invitation to participate to every qualifying tenant who is not yet a member, at least 14 days before the claim notice.
3. **Check the membership.** At the date of the claim notice, the members must include at least half of the qualifying tenants of the flats.
4. **Serve the claim notice.** It goes on the landlord, any existing manager and any other party with management functions, with copies to the qualifying tenants.
5. **Counter-notice.** The landlord has one month to dispute the claim. If there is no counter-notice, or the dispute fails, the company acquires the right on a date at least three months after that deadline.

Notices have strict content and service rules, and a defect can invalidate a claim, so the steps need care.

Costs and the tribunal

Before the 2024 Act reforms took effect, the RTM company had to pay the landlord's reasonable costs of the claim. From 3 March 2025, it is not liable for the landlord's costs of a claim, apart from a narrow case where the Tribunal makes an award. The company still bears its own costs. Disputes about whether the right is validly exercised go to the First-tier Tribunal, not the county court.

After acquisition

The company takes over the management functions, usually the service charge, repairs, maintenance and consulting leaseholders on major works. It remains a company: it files accounts and a confirmation statement, keeps registers and holds general meetings.

Common pitfalls

The usual problems are a membership count that falls short on the date of the claim notice, a notice served on the wrong party or in the wrong form, and a claim made for premises that do not qualify. A landlord's counter-notice often turns on one of these. Checking the leases, the qualifying tenants and the layout of the building before the company is formed saves a failed claim and a restart.

Questions to ask the client

- Does the building qualify, including the non-residential limit?
- Do enough qualifying tenants want to join?
- Who will be the first directors?
- Is there an existing managing agent to hand over from?
- Who will serve and track each notice?
- Who will keep the company records afterwards?

How MTM can help

0161 835 2080
client@mtmlp.co.uk

We incorporate RTM companies with the prescribed articles, keep the register of members, and look after the annual filings after the right is acquired. We work with your client's leasehold solicitor on the notices and the claim itself.