

Resident management companies

I recently surveyed the UK's resident management companies (RMCs). There is a proper paper write-up [here](#).

You can do this by querying data provided by Companies House, plus a lot of spadework. The code for doing this is currently [here](#).

Roughly speaking, there are about 50,000 RMCs. I took a random [sample of 100](#) of these and manually read through all of their articles of association. It took many hours of unbelievable tedium.

What is an RMC?

RMC stands for one of the following:

- resident management company
- residents management company
- residents' management company

Note that the first option worrying includes the implication that the company might be used to manage the residents, rather than to manage property on behalf of residents.

Anyway, regardless of what the acronym RMC stands for, there's no official definition of the concept, but there is a generally accepted usage of the term, which is that an RMC:

- is restricted in its activities to the ownership or management of collective residential property in a particular location
- is restricted in its membership generally to those who own the property so managed

In practice, RMCs tend to be used for one or a combination of the following purposes:

- owning the freehold of a block of flats jointly between some or all of the leaseholders
- separating out the management responsibilities for a block of flats into a distinct legal entity, with or without involvement by the owners of the flats
- doing the same in relation to some combination of blocks of flats and freehold houses on a private estate (often called "fleecehold")

Effectively, an RMC will have some or all of the responsibilities of the freeholder of the relevant premises.

De facto, RMCs are private local government bodies.

Distinguishing RMCs from MAs

On larger sites, in practice, these activities may be outsourced to a managing agent, and some people conflate this body with the management company. Managing agents are normal commercial businesses, that have no self-imposed restriction in their constitution limiting participation or operations to particular sites. Managing agents will typically have dozens of buildings that they manage up and down the country, and have websites and PR departments and so on. RMCs will generally not have their own websites or staff. The bills from an RMC will often come on the letterhead of its Managing Agent, leading to more confusion.

RMCs may be embedded in the property ownership arrangements for a site. For example, an RMC might be a party to a lease of a flat, noted as the owner of a rentcharge in the transfer deed (TP1) of a house. These arrangements can be nearly impossible to change, so it's important that any company so embedded be an RMC specific to that site, and not a general commercial company.

How the RMCs may be found

The code used for finding the identities of the UK's RMCs used a bunch of heuristics: name, SIC codes, legal form, and so on.

This is of course subject to false positives (things that look like RMCs but which aren't) and false negatives, which are much harder to find.

There are only three types of entity that should be used as RMCs:

- private companies limited by guarantee
- private limited companies (i.e., companies limited by shares)
- private unlimited companies

And the latter case, unlimited companies, is fairly rare and somewhat risky. Buying a flat in a converted terrace house in Tooting Bec should not put you on the hook for when the bloke upstairs hires his incompetent mates to fix the roof. There are about as many unlimited RMCs as there are commonhold associations, almost exactly.

I don't think that the two main sorts of company (shares vs guarantee) makes much of a difference to outcomes in practice, though happy to be proven wrong.

What's in the data?

The spreadsheet includes columns with the following data, in no particular order:

- valid RMC?
- presence of a PSC?
- whether the RMC was originally captive

- the company number

I haven't provided links to the companies' records on Companies House, but you can type in the company number into the form [here](#) and get that.

The key information is about whether the companies in the sample are/were captive RMCs, and whether they have a PSC.

Companies House bulk data gives us information about which companies have got a "PSC", or "[Person with Significant Control](#)". Any company with fewer than four members will have one, so some smaller blocks of flats will have an RMC with a PSC simply because they're tiny. But in other cases, the presence of a PSC generally indicates that the RMC has been captured by a small group of the flat owners, or by the original developer or the managing agent.

Note that some PSCs cannot legally be registered on Companies House in the PSC register, because they are exempt. This generally includes housing associations, which disguises the fact that some RMCs for market-rate property are under the thumb of institutions in the social/affordable space.

Valid RMCs

In practice, the heuristics I used for finding the RMCs can be a bit off. For each of the 100 companies in the sample in the [spreadsheet](#), I checked the articles of association to see if it really was an RMC, i.e., that it had members who were supposed to own flats, and was only set up for the purposes of collective property ownership or management.

Nine of the 100 companies weren't really RMCs. It's therefore likely therefore that about 9% of the 55000 companies I detected aren't really RMCs. It's harder to estimate the false positive rate, so I shan't attempt to.

There were also about 10 companies that hadn't got valid articles of association on Companies Houses, for various spectacular reasons. These should probably be disregarded, so the false positive rate is a notch higher. Anyway, around 90% isn't too bad.

So what does one do to work out if a company is validly an RMC?

One reads the company's most recent articles of association, and sees if there's some provision restricting the company's membership to owners of flats or similar (e.g., a definitions section containing a definition for "dwellingholder" or "unitholder", etc) and a restriction on the scope of the company's activities to limit it to a particular set of premises (often "the Property" or "the Premises" or "the Development"). Then one checks if these definitions are actually correctly used in the articles.

The notion of a [company that is just for managing a block of flats](#) is one that shows up in the tax system, and it is telling that HMRC similarly looks to the connection between the company, the property and the management.

All the companies marked as "True" in the "Valid RMC" column in the spreadsheet passed the test above.

Control

Many companies, including practically all RMCs, have a sort of "startup" phase, when a different group of people are members, e.g., the accountants or lawyers or administrators of the firm setting up the company. The articles of the company will provide for the intended individuals to become members after some event, for the company to be "handed over" to them, e.g., by transferring shares, or by admitting new individuals as members.

These legitimate mechanisms can be abused to provide for long-term control by the successors of the founding members. This might be by giving the founding members three votes for every vote that the other members have, or by giving them initial control of the appointment of directors, and so on. I have seen about a dozen different schemes, including, crucially, ones whose presence need not be publicly acknowledged on Companies House, which doubtless compromises DLUHC's plans for RMC governance.

Often, these schemes to create a "captive" RMC are so successful that they give rise to the existence of a declarable PSC for the company. So that is an additional heuristic for detecting captive RMCs, but the primary consideration is the company's articles. As an aside: if you see the words "three votes" appear in company articles, it's likely a company that is both an RMC, and an RMC with these captive provisions.

I've marked the presence of captive RMC arrangements in the "Originally captive" column of the spreadsheet. Naturally, some of these lapse over time, but often the state of affairs cannot be unilaterally ended by leaseholders. It seems to be the case that Members of Parliament can persuade the controllers of the company (e.g., the company's own managing agent) to hand over control of the company to leaseholders or fleeceholders. If this is widespread, it would suggest that managing agents are more worried about cross-the-board legislation against this business practice than they are about retaining any individual captive RMC.

Summary

Of the 100 companies in the random sample of potential RMCs, 9 aren't actually RMCs at all, and 9 more are of unknown status. That leaves 82 RMCs.

Of these 82 RMCs, 17 are both designed as captive RMCs and still have a PSC, 2 of those would have a PSC anyway due to their small size. 37 of the valid RMCs, 45%, were designed as captive RMCs, thus about 54% of those RMCs designed as captives have since transitioned to resident/leaseholder control.

Within the still-captive RMC subset are Residents Management Companies controlled by Barratts (2), Encore, Redrow (2), Persimmon and Bellway. Some of those companies are quite old.

Of the RMCs that were never supposed to be captive, there are still quite a few that have a PSC, though about half of them have PSCs due to being very small, and several others exhibit share allotment irregularities that may be confounding results too.