

# Dealing with levy defaulters in sectional title schemes

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The financial health of any sectional title scheme is dependent on a steady income stream, as payments of bills and regular maintenance is what is needed for the scheme to maintain value and be managed properly.



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If the body corporate is unable to collect all the levies due on a regular basis, the scheme might end up with financial difficulties, which affects all the owners negatively and not just the non-payers.

If owners of sectional title units do not pay their levies in full and on time, they place a huge burden on the others who do pay, which is an unacceptable situation. In turn, if there is a shortage of funds, it creates a situation where the scheme might not be able to meet its financial obligations. This might mean that a special levy must be raised to rectify the situation, but it often happens that the non-payers will default on this contribution as well, leaving the paying owners to cover the amounts not coming in.

## A plan has to be made

While some owners might have genuine problems with paying their bills each month, be it a loss of income or illness, the bad news is that a plan has to be made to meet their obligations or they will have to face the consequences of non-payment.

Unpaid levy accounts place a huge strain on everyone trying to manage those accounts, not just the trustees trying to manage the scheme but for those who are responsible for the awkward task of collecting the debt. This is where it is better for the trustees to hand the account over to a professional, whether it be an attorney or a company experienced in debt collection in sectional title schemes, as there is no personal involvement and just a carrying out of an instruction.

If levy accounts are handed over for collection, it will take some time for money to come in as legal processes are often lengthy. In order to assist, whether the body corporate has appointed an attorney or collections company, all the necessary information pertaining to the outstanding accounts should be handed over by the trustees as soon as possible.

## **Alleviating the stress of trustees**

During the course of many years in operation, Propell has seen that those bodies corporate opting to use an arrears collection service or arrears finance package has immediately helped, by alleviating the stress of trustees having to collect outstanding levies on their own. In cases such as these the company taking over the collection process often also assists by fronting the amount of money needed by the body corporate to get their scheme back in the “black”.

Using this option is often the better solution than trying to go through all the legal processes alone, as using an experienced collections company also hands the credit risk over to the company rather than the body corporate carrying it. All the legal fees incurred are usually paid by the collections company and the interest on outstanding amounts will also be recovered from the owner.

We find that managing agents and trustees possibly don't have the time it takes to continuously follow up on the outstanding bills, but if they employ a professional expressly to do this job, they can get on with the day to day running of the scheme.

## **ABOUT THE AUTHOR**

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