Levy collection in strata – addressing arrears, reforms and recovery strategies

LookUpStrata
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Outline

1. Why strata levies are essential.
2. Why they go unpaid.
3. Practical steps to reduce arrears and support owners early.
4. Changes to the NSW legislation and what it means for other States.
5. Best-practice levy collection with a humane approach.

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1. Why are strata levies are essential?

a. Only source of funds to pay expenses of the common areas.

b. Necessary to pay for insurance, repairs, common area utilities.

c. Required to ensure the OC is able to meet its statutory obligation to keep the common areas in a state of good and serviceable repair.

d. To pay for capital works when major parts of the common property need repair or replacement (e.g. windows, refurbishment of foyer area, lift replacement, combustible cladding, etc).

1. Impact of non-payment of levies

a. Most owners pay on time.

b. Those who don't, put undue financial strain on other lot owners who have to bear the burden of covering the shortfall.

c. Special levies may need to be raised.

d. OC may need to get a loan to pay for large costs, like insurance, major repairs or maintenance.

2. Why levies go unpaid?

a. Incorrect address and/or contact details.

b. Lack of understanding of what levies are for.

c. Genuine financial hardship.

d. Overseas lot owners.

e. Dissatisfaction with strata manager, owners corporation, or committee.

3. Practical steps to reduce arrears and support owners early

a. LO/OC - Develop a protocol to check that the strata roll details remain current.

b. LO – Be diligent about contacting your strata manager as soon as possible if you can’t pay your levies by the due date: In some States, levy notices provide details of the avenues available if experiencing financial hardship.

c. LO – Be courteous when communicating with your strata manager, committee, or the OC’s representatives.

d. OC – Contact the lot owner by telephone and email to discuss the arrears and suggest a payment plan if the owner is experiencing financial hardship.

e. OC – Carefully consider payment plan requests. The aim is to pinpoint a date in the future by which the lot account will achieve a zero balance.

4. Changes to the NSW legislation – 27 October 2025

a. Requirement for a "*Financial Hardship Information Statement*" to be included with levy notices.

b. OC's cannot resolve to not enter into payment plans. "Request for a payment plan…" form prescribed by the SSM Act. Requests can only be refused in prescribed circumstances.

c. A lot owner can apply to the Tribunal for an order requiring the OC to enter into a payment plan if its refusal is deemed unreasonable.

d. Prerequisite for a payment plan to be offered to a lot owner before commencing proceedings.

e. Payments must be allocated to outstanding contributions, then interest and recovery costs.

4. What this means for other States

Nothing... Yet...

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5. Best-practice levy collection with a humane approach

a. Use an ethical firm that:

   i. specialises in strata law (not “knee-cappers”);

   ii. acts as an extension of your accounts team;

   iii. utilises processes that ensures the debt is recovered quickly and cost-effectively;

   iv. encourages lot owners to engage with the strata manager or committee.

5. Best-practice levy collection with a humane approach

b. If the arrears are not able to be resolved amicably and court or tribunal proceedings are required, act professionally and firmly to get the debt paid, including:

   i. the initiating process, statement of claim, or tribunal application;

   ii. obtaining judgment;

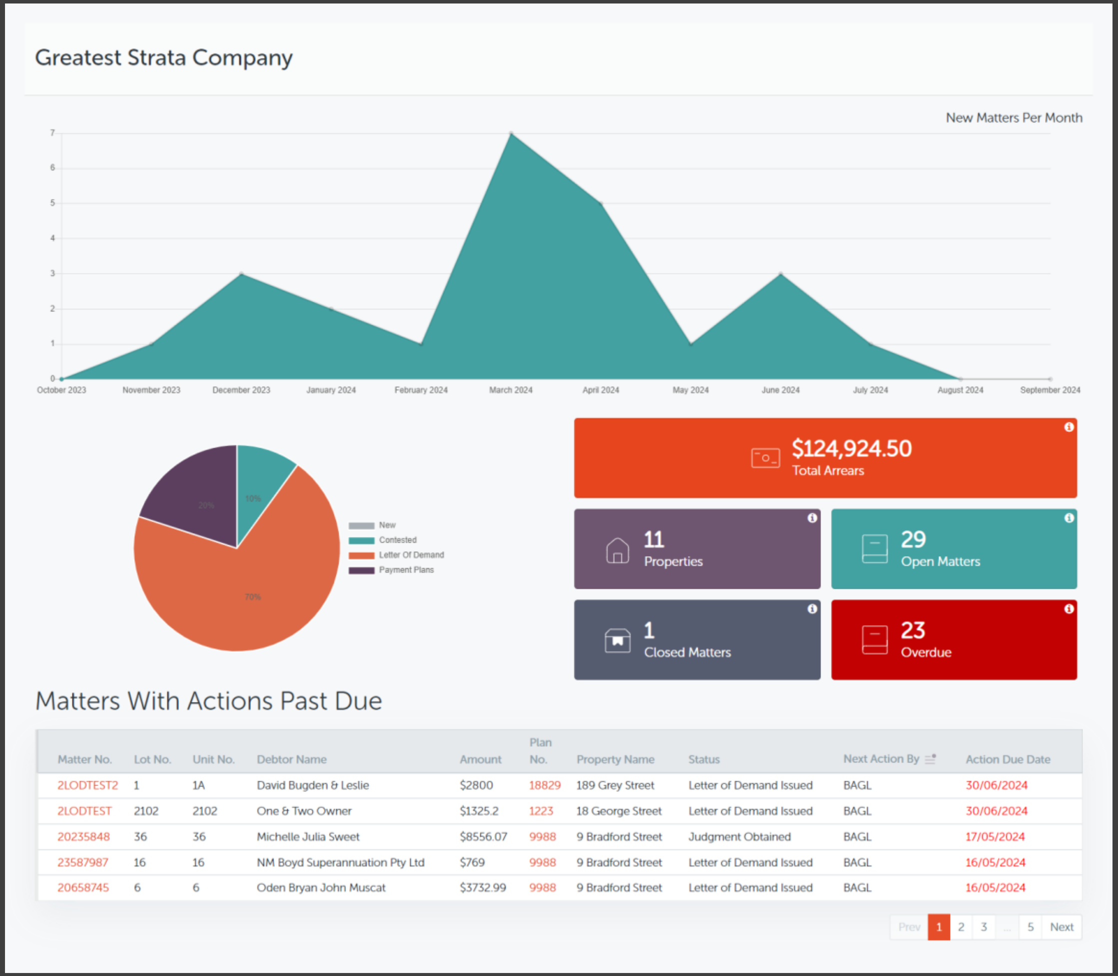
   iii. enforcement action.

5. Best-practice levy collection with a humane approach

c. All of the above should be carried out in an empathetic and respectful manner.

d. In our view, personal or corporate insolvency should never be a “first course of action”.

e. Leverage off technology to make the debt recovery process more efficient.



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