



NATIONAL ASSOCIATION  
OF MANAGING AGENTS  
SHAPING OUR PROFESSION

## NAMA Notice Board

Issue 22 | 17 April 2020



### Covid-19 and Levy Contributions

The outbreak of COVID-19 and the national lockdown has had and will continue to have far-reaching financial consequences for many households, which is why most financial service providers have implemented COVID-19 cashflow relief measures, to assist those individuals whose financial stability has been impacted by COVID-19.

These measures have led many owners in sectional title schemes to request similar cashflow relief measures from their bodies corporate and we have received numerous questions from owners and trustees alike, regarding the steps that their body corporate can take, to ease the financial pressure on owners who may be struggling to pay their levies.

The most important factor for owners to understand is that, unlike financial institutions, most sectional title schemes are unable to function properly without a steady and regular inflow of levies from their members. This means that the majority of bodies corporate cannot afford to offer their members a levy payment holiday during the lockdown, because this will have a devastating effect on its ability to perform the functions entrusted to it by the Sectional Titles Schemes Management Act.

That being said, we believe that there are a couple of practical options available to bodies corporate, which may provide owners with some relief during the national lockdown:

Firstly, the trustees may, on the authority of a written trustee resolution, decide to waive or reduce the interest charged on overdue levies, which will minimise the devastating effect of compound interest on unpaid levies.

Secondly, the trustees could decide to suspend taking legal action against defaulting owners for a fixed period to avoid fruitless legal and other collection fees, while at the same time reducing the stress on defaulters and their families. This option is a no-brainer during the lockdown, because the courts and CSOS are currently not fully operational and trustees could even decide to extend this suspension for a reasonable period after the lifting of the lockdown to allow the owners time to recover. The key is for trustees to ensure ongoing and transparent communication with all owners, to explain their decision to suspend legal action and to provide a clear date upon which all legal action will continue, so that owners can plan accordingly.

While much has been said and written about the possibility of reducing the monthly levies payable, by amending the scheme's administrative budget, we believe that this option should not be considered if the scheme's budget is already as lean as it could be, because this would be contrary to the owners' obligation to approve a budget that is reasonably sufficient to cover the scheme's operational expenses.

Although COVID-19 will have a long-lasting effect on the country and her citizens, it is important for sectional title owners to remember that they have a statutory duty to ensure that their body corporate continues to be able to meet its obligations and be managed in accordance with the requirements of the Sectional Titles Schemes Management Act during this unprecedented time.

We wish to remind trustees, in coming up with a solution, to consider what is in the best medium and long-term interests of their body corporate, and not do anything to reduce its source of funds without seeking professional financial and legal advice.

Should you require any advice on how to implement COVID-19 cashflow relief measures in your community scheme, please don't hesitate to contact our consulting department at [consulting@paddocks.co.za](mailto:consulting@paddocks.co.za) for a no-obligation quote to provide the necessary legal assistance.



Article by Auren Freitas dos Santos  
from Paddocks

*Disclaimer : The opinion expressed in this Notice Board is not necessarily that of NAMA. The article pertaining to content is based on that of the writer and should only be used as such.*

