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Media Release – For Immediate Release

Consumer Groups Demand Government-Directed Inquiry into Strata Management Industry

A coalition of leading consumer advocacy associations has today called on Federal Treasurer, Hon Dr Jim Chalmers MP to initiate a government-directed public inquiry, led by the Australian Competition & Consumer Commission or the Productivity Commission, into the strata management industry. The coalition cites systemic harmful practices within the industry that compromise consumer rights and community expectations.

Noting recent media reports of unethical, questionable or unlawful practices, the groups urge a comprehensive examination of the industry's governance, conflicted remuneration models, harmful financial hardship and debt recovery practices, and the adequacy of consumer protection mechanisms. It should shine a light on the significant financial and safety risks faced by consumers due to current industry shortcomings.

Proposed Scope of Inquiry

- Investigate practices within the strata management industry that are unethical and potentially unlawful, including assessing both the transparency of remuneration models and the adequacy of existing regulation.
- Evaluate the effectiveness of consumer protection mechanisms and the need for reform.
- Evaluate the role of industry bodies, and the adequacy of government oversight in enforcing legal and ethical standards.
- Focus on identifying and referring instances of unlawful activity for appropriate enforcement action, and ensure the compelling of evidence and protection of witnesses to facilitate thorough and effective oversight.

This action is necessary to safeguard the interests of millions of Australians currently living in strata-titled properties, and to protect the interests of future strata owners.

Supporting Statements

"We are witnessing an alarming trend in strata management practices that are not only unethical but potentially unlawful. It's time for the government to step in and ensure that there is a robust framework protecting consumers who are currently at a disadvantage. The lack of transparency and accountability in the current system has left many of us vulnerable. We need a thorough inquiry that not only highlights these issues but also leads to substantial reforms." Said Karen Stiles Owners Corporation Network of Australia.

"We have already documented and referred 146 cases where strata managers appointed insurance brokers to manage policies without obtaining informed consent. Additionally, we are currently investigating significant misconduct involving five strata managers and five brokers, anticipating that these investigations will lead to further referrals to ASIC & ACCC. Given this evidence of widespread unethical practices, one must question



what further proof is necessary to prompt a government inquiry into these serious issues." Said Tyrone Shandiman Chairperson of Australian Consumers Insurance Lobby Inc.

"The Unit Owners Association of QLD has long been a vocal critic of the strata management industry, particularly concerning practices that have proven to be extremely detrimental to Queensland body corporate schemes. These practices not only undermine the integrity of our communities but also place an unnecessary financial burden on unit owners. We continue to advocate for reform and greater oversight to protect the interests of all Queensland body corporate members. The ongoing viability of the Strata Industry is under threat due to the lack of recognition of the interests of Lot Owners, the people WHO PAY THE BILLS!" Said Bob Boundy, UOAQ Treasurer.

"Financial Rights is deeply concerned about a range of issues in the management industry, including strata insurance" said Alexandra Kelly, Acting CEO of the Financial Rights Legal Centre." Quite simply, strata managers should not be getting paid by an insurer for recommending their products. Conflicted remuneration should not be allowed to continue, as even when disclosed – we already know that disclosure doesn't alert people to the conflict. We want the ACCC to take a good look at this industry, and state governments to be vigilant in making sure consumer rights and interests are upheld and protected.

"Financial counsellors see the harm caused by aggressive legal action. We see forced bankruptcy proceedings over relatively small arrears and other actions that can cripple people financially and even leave them homeless. We must introduce consumer safeguards and the right to hardship arrangements for every Australian apartment owner." Said Lody Stewart National Strata Levy Reform Lead with Financial Counselling Australia "In NSW we have proposed the introduction of proper safeguards and rights for all owners. We're pleased with the progress we're making with the NSW government in this space. However, obtaining fair outcomes should not come down to a postcode lottery. It's now time for a truly national approach." Stewart Said.

"Strata management is in need of root and branch reform – it's expensive for everyone and doesn't seem to be working for anyone." Said Nadia Harrison CEO Mortgage Stress Victoria.