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United Call for Government Inquiry: Addressing Concerns in the Strata Management Industry

September 2024

Introduction

The scale, complexity, and rapid expansion of apartment living in Australia are unprecedented, involving not only approximately one in five Australians residing in strata-titled buildings but also many investors. Strata buildings encompass over 340,000 schemes managed by more than 4,000 full-time professionals, significantly impacting the lives of millions. This underscores the pressing need for rigorous oversight to ensure that strata communities offer a high quality of life and robust governance.

Background

Recent investigations, including a prominent report by ABC's 7:30 and Four Corners, have highlighted concerning practices within the industry, particularly spotlighting allegations of misconduct by key industry figures and entities. These revelations have raised serious questions about the integrity and effectiveness of current regulatory frameworks in protecting the interests of strata residents.

Statement of Concerns

The consumer groups uniting in this statement express serious concerns regarding:



Systemic Misconduct: Documented instances of widespread questionable, unethical or unlawful practices by strata managers, including significant cases referred to regulatory bodies such as ASIC and the ACCC.



Conflicted Remuneration Models: Remuneration practices within the industry frequently lack transparency, often resulting in arrangements that significantly burden consumers financially while benefiting strata managers. This is in contravention of the fiduciary duty of strata managers to act in the best interests of the communities they manage.



Persistent Failures in Industry Oversight: Industry bodies have notably failed to establish and enforce consumer-driven professional standards, as well as to maintain robust governance and oversight. This deficiency in action compromises the transparency and integrity of the entire strata management sector.



Lack of Government Supervision: Instances of delayed and insufficient responses from government bodies to serious allegations of illegal activities by strata managers, jeopardising resident safety and well-being.



Harmful Financial Hardship and Debt Recovery Practices: Aggressive, non-transparent debt recovery actions that disproportionately impact vulnerable lot owners and exacerbate financial strain on communities.

Call to Action

In light of these pressing issues, we urgently request Federal Treasurer, Hon Dr Jim Chalmers MP, initiate a comprehensive government government-directed inquiry, led by the Australian Competition & Consumer Commission into the strata management industry. We also call upon state government officials responsible for overseeing strata legislation, as well as state consumer affairs bodies, to support this inquiry and adopt its recommendations.

Purpose of Inquiry

To conduct a comprehensive review of the strata management industry, focusing on governance, accountability, regulatory effectiveness, conflicted remuneration models, and effective redress mechanisms for consumers affected by unlawful activities.

Scope of Inquiry



Review of Industry Practices: Investigate the prevalence of questionable, unethical, unlawful or otherwise unsatisfactory practices within the industry.



Conflicted Remuneration Models: Assess the transparency and potential conflicts of interest in remuneration practices, scrutinising the strata managing agents are adequately fulfilling their fiduciary duties to the owners they serve.



Consumer Protection Mechanisms: Evaluate the effectiveness of existing consumer protection measures and the responsiveness of industry bodies to a range of consumer issues, complaints, or grievances.



Examination of Regulatory Frameworks: Assess the adequacy of current laws and regulations governing the strata management industry in Australia.



Government Oversight: Scrutinise the role and effectiveness of government oversight in regulating the industry and enforcing compliance with legal and ethical standards.



Referral of Unlawful Activities: Where instances of unlawful activity are identified, ensuring that such cases are referred to appropriate regulatory authorities for consumer redress and the imposition of fines or penalties where necessary.



Compelling Evidence and Protecting Witnesses: The inquiry to possess the power to compel evidence and guarantees protection for all witnesses providing information.

Expected Outcomes

The consumer groups uniting in this statement expect an inquiry will achieve the following:



Recommendations for legislative or regulatory changes needed to strengthen the governance and oversight of the strata management industry.



Proposals for enhancing the transparency and accountability of strata management practices.



Strategies to improve consumer protection and support mechanisms for strata consumers.

Conclusion

In light of these pressing issues, we urgently request the initiation of a comprehensive government inquiry into the strata management industry, led by the Treasurer Jim Chalmers or an appropriate parliamentary committee. It is crucial to address these systemic issues promptly to safeguard the interests of all stakeholders within the strata community.



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