



UP TO A THIRD OF INVESTORS NOT PAYING SERVICE CHARGES

SURVEY IDENTIFIES DEVELOPERS AS SECOND BIGGEST GROUP OF NON PAYERS

Wednesday Jan 19th 2010. An annual survey of property managers has found that the problem of non-payment of service charges worsened throughout 2010.

The survey by the Society of Chartered Surveyors (SCS) and the Irish Property and Facility Management Association (IPFMA) found that investors who bought apartments and houses to rent in recent years were the primary group responsible for withholding payment, with 30% of investors not paying the charges.

Typical services covered by the charges include management of common areas such as repairs and maintenance, electricity and lighting, cleaning, refuse collection, insurance, and contributions to a fund to cover future expenditure on capital items. Service charges are mandatory if they are part of the terms and conditions of the contract to purchase the housing or apartment unit.

Two thirds of property managers who took part in the survey said that as a result of the fall-off in payment of the charges these services had been either withdrawn or reduced in many developments.

According to the survey non-payment was more likely to occur in newly built developments rather than in older established schemes, while developers were the second most likely group to have fallen behind with the payment of such charges.

Claire Solon, Honorary Secretary of the SCS said continuing redundancies, pay cuts, declining property values and overall uncertainty in the property market meant that this problem is likely to worsen and corrective action is needed.

'As repairs, maintenance and cleaning decline, the quality of the properties will suffer, leading to a depreciation in values. Once the housing stock deteriorates as a result of reduced maintenance it will require greater levels of repair and investment in the future' Solon said.

The Society of Chartered Surveyors has sought the support of the Department of the Environment, Heritage and Local Government to tackle the problem of unpaid service charges.

The SCS has suggested that as part of their annual tax returns an investor claiming mortgage relief or Section 23 relief should have to provide proof of payment of service charges before s/he can secure these benefits.

The Society has also suggested that the Small Claims Court should have jurisdiction to a limit of €3,000 - as per the Law Reform Commission's Draft Bill recommendation - instead of the current €2,000, to deal with cases involving the non payment of these charges.

'These measures will not solve all of the problems, but they would assist in increasing the levels of service charge payments and help alleviate the problems people living in these developments are currently experiencing' Solon concluded.

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