

## *Managing property properly*

### **More levies under the Community Schemes Ombud Service Act**

By [Corlia de Beer](#) | Posted on 14 December 2015

*"I am a sectional title unit owner. I've heard a lot of talk about new sectional title legislation on its way that will require me to pay more levies. Is this true?"*

The legislation you are referring to is most probably the new Community Schemes Ombud Service Act ("Ombud Service Act") and in particular new regulations to this Act recently published for comment. The Ombud Service Act together with a closely linked piece of legislation, the Sectional Title Schemes Management Act, have both already been signed by the President in 2011, but have yet to come into operation, primarily to grant time for the necessary infrastructure required by this legislation to be put in place.

The Ombud Service Act specifically makes provision for the establishment of an Ombud service to function as a dispute resolution mechanism for sectional title schemes, dealing with issues such as recovery of arrear levies, body corporate resolutions etc. In addition, the Ombud service will also take over certain of the functions of the Registrar of Deeds in relating to the substitution, adding, amending or repealing of the rules of schemes.

The new proposed regulations to the Ombud Service Act will require sectional title unit owners to pay an additional monthly levy amount, over and above their normal levy, to fund the operational infrastructure of the new Ombud service. Where a scheme or owner falls in arrears with this levy, interest will be charged on the arrear amount in terms of the Prescribed Interest Rates Act. The body corporate will also have to take out insurance against the risk of loss of money belonging to the community scheme or for which it is responsible due to fraud or dishonesty, which will have to be funded by the sectional title unit owners. In addition, body corporates must also have a reserve fund. If at the end of the financial year the money in the reserve fund is less than 25 per cent of the total contributions to the scheme's administrative fund for that year, then, in the next financial year the minimum allocation to the reserve fund must be at least 15 per cent of the total budgeted contribution to the administrative fund. This may also result in schemes having to raise levies in order to meet this new requirement, all of which will impact the pockets of the sectional title unit owner.

The new Ombud service levy will be determined with reference to the municipal valuation of your unit. If your unit value falls between R500 001 to R600 000 for example, an owner will have to pay R3.40 per month. The highest amount is capped at R68.00 per month for a unit valued at R2 250 001 to R 2 500 000 and above. Any unit with a total property value not exceeding R500 000 in terms of the municipal valuation roll will be exempt from this monthly levy.

When using the new Ombud service to resolve disputes, owners can approach the Ombud service directly but will have to pay a nominal fee for their application and adjudication of a dispute, which should be a far cheaper option than court litigation. Any person or group of persons whose monthly net household income is less than R5 500 will also be exempt from paying any of these fees.

This Ombud Service Act has a lot to offer and can positively help address many of the issues arising within sectional titles schemes, often to the disadvantage of the owners living in these schemes. The intent is therefore sound, although only time will tell how effective the proposed structures will be and whether the additional costs sectional title unit owners will have to carry is justified.

***Footnote from Compeg:***

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