**Credit Policy and Procedure for the Body Corporate of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. **Introduction**

The Board of Trustees has on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ resolved to introduce the credit policy in respect of amounts due, owing, and payable to the Body Corporate to:

* ensure compliance by owners in respect of their obligations towards the Body Corporate,
* indicate to owners the way the Board of Trustees (represented by the Managing Agent) will conduct the collections and compliance process,
* set a standard of conduct which is equally applied to all owners without fear or favour,
* define the responsibilities of the Board of Trustees and the Managing Agent in such collections process,
* avoid disputes between owners, Trustees, and Managing Agent in respect of the collection of amounts due, owing, and payable to the Body Corporate,
* ensure that the collections processes are in compliance with the Sectional Titles Scheme Management Act and other applicable legislation.

This policy will be implemented from the following date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

This policy will be re-evaluated on the following date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. **Definitions**
   1. **"Trustees"** means the elected representatives of the owners in a sectional-title scheme who are entrusted to manage the scheme in good faith and with its best interest in mind. The duties they perform are required by law, and as such, legally binding.
   2. **"managing agent"** means any person who provides scheme management services to a body corporate for reward, whether monetary or otherwise, including any person who is employed to render such services;
   3. **"Member"** means a member of the body corporate;
   4. **"Deemed Knowledge"** means knowledge that a person is deemed to have of facts that he would have discovered had he made the usual and proper inquiries;
   5. **"Levies"** means the levies contemplated in section 59 of the Community Schemes Ombud Service Act 2011;
   6. **"Special Levies"** a special levy is raised by the trustees of a sectional title scheme for an expense that is necessary and which was not budgeted for and approved by the owners at the last AGM;
   7. **"Utilities"** means the supply of electricity, water, or sewerage;
   8. **"Amounts due"** includes all levies raised by the trustees, special levies raised by the trustees, utility payments, interest, penalties, taxed or agreed on legal fees, and or other legally raised charges;
   9. **"Invoice"** means a list of services provided, with a statement of the sum due for these; a bill;
   10. **"Statement of Account"** means a document that reflects all transactions that took place between the Body Corporate and the unit owner for a given period of time;
   11. **"Payment Date"** also known as the pay date or payable date, is the date on which a service rendered is payable;
   12. **"Arrears"** means monies owed and should have been paid earlier;
   13. **"Interest resolution"** determines the interest rate that we must charge owners who are in arrears with their levies;
   14. **"Interest rate"** means the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding;
   15. **"Legal Action"** means legal proceedings; a lawsuit;
   16. **"Legal Fees"** means the payment for legal services;
   17. **"Penalties"** means a monetary punishment imposed for breaking a law, rule, or contract;
   18. **"Due date"** means the date on which something falls due, especially the payment of a bill;
   19. **"Special Arrangements"** means an arrangement between the Body Corporate and the owner defining changes derogating from the standard provisions in Contractual Documents or laying down special rules on Service provision;
   20. **"Early Settlement Incentive"** is a discount that buyers can receive in exchange for paying invoices early;
   21. **"Letter of Demand"** is a formal, professional document sent by one party to another requesting payment or other action to right a wrong;
   22. **"Delegation of Responsibilities"** refers to such delegation of authority and tasks by the Trustees for the time being to the Managing Agent in accordance with a decision made by the board of Trustees and recorded in a resolution dated \_\_\_\_\_\_\_\_\_ day of\_\_\_\_\_\_\_\_\_\_\_\_\_
2. **Payments**

All amounts due and owing shall be payable on the **first day of the month** for which the Managing agent has raised an invoice on behalf of the Body Corporate, and a statement has been issued, notwithstanding if such "invoice" or "statement of account" has been received by the "member" as it is deemed that the "member" in accordance with its "deemed knowledge" is aware of the "amounts due."

All payments by members must be received by the Body Corporate in their bank account on the first day of the month and shall be deemed in arrears if not so received. Any delay caused by the member or his or her bank or any other person shall not excuse the member from his or her obligation to have made a timeous payment which had to be received by the Body Corporate on the first day of the month.

1. **Interest**

All amounts due, owing, and payable which remain in arrear on the first day after the payment date shall attract interest at the rate as resolved by the Trustees from time to time, which shall be debited on the member account by the Managing Agent without further instructions by the Board of Trustees in accordance with the delegation of responsibilities.

1. **Penalties**

All amounts due owing and payable which remains in arrears on the first day after the payment date shall attract a penalty in accordance with Conduct Rule\_\_\_\_\_\_\_ as was adopted on the \_\_\_\_\_\_day of \_\_\_\_\_\_\_\_\_\_\_\_ by way of a special resolution by the members and registered and approved by CSOS on the \_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, which shall be debited on the member account by the Managing Agent without further instructions by the Board of Trustees in accordance with the delegation of responsibilities.

1. **Letter of Demand**

A Letter of demand shall be sent to the member who remains in arrears on the 15th day of the month in which the amount has become due, owing, and payable. The Trustees have resolved that such letter by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ debt collectors/ Attorneys on behalf of the Body Corporate, and the Managing Agent is authorised in terms of the delegation of responsibility to instruct such debt collector/ Attorney to proceed with such letter of demand. The cost of such letter shall on taxation be debited to the account of the member by the Managing Agent in accordance with the delegation of responsibilities.

1. **Legal Action**

Legal action shall be instituted against the member on the first day after the time period as was afforded to the member for the making of the payment, in the letter of demand has expired. The Trustees has resolved that such action shall be taken by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ debt collectors/ Attorneys on behalf of the Body Corporate, and the Managing Agent is authorised in terms of the delegation of responsibilities to instruct such debt collector/ Attorney to proceed with such action. The cost of such action shall on taxation be debited to the member's account by the Managing Agent in accordance with the delegation of responsibilities.

1. **Legal Fees**

The member shall be liable for all legal fees on an Attorney and Client scale as well as cost and disbursements in respect of such collection process in accordance with Management Rule\_\_\_ as was adopted on the \_\_\_\_\_\_day of \_\_\_\_\_\_\_\_\_\_\_\_ by way of a unanimous resolution by the members and registered and approved by CSOS on the \_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, which shall be debited on the member account by the Managing Agent without further instructions by the Board of Trustees in accordance with the delegation of responsibilities.

1. **Allocation of Payment and Legal Costs**

All payments received by the Body Corporate from the member shall be allocated firstly towards the taxed cost, then interest and then the most recent amount due, and lastly towards the amounts owing for which legal action has been instituted.

1. **Special Arrangements**

If a member is unable to pay the amounts due on the due date, then the member shall have an obligation to contact the Managing Agent and enter into a special arrangement for the payment of the amount due prior to the legal Action process as described in clause 7 above has started. In accordance with the delegation of responsibilities, the Managing Agent shall be entitled to enter into a payment arrangement agreement over a period not exceeding 6 months for such due amount. All subsequent amounts due plus the payment arrangement amount must be paid on the due dates failing which all amounts then outstanding shall immediately become due, owing, and payable, and the process described in clauses 6 and 7 shall immediately follow without any further delay.

In the event that the member's circumstances require leniency in respect of the special arrangement over a period longer than six months, such request shall be referred to the trustees by the managing agent one day after such request was received, for their decision which will be given within nine days from such request.

The decision made by the trustees shall be final and binding until set aside by CSOS, and all actions taken by the trustees after such decision shall be regarded as taken in good faith in accordance with the fiduciary responsibility in the interest of the Body Corporate as a whole.

1. **Early Settlement Incentives**

The Trustees has on the \_\_\_\_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_resolved to afford a 10% discount on the yearly levies of all members who settle such yearly levies before the last day of the month in which such yearly levies has become due and payable. This is done to encourage the early payment of levies in full as to provide the Body Corporate with liquidity.