

Condominium Home Owners' Association

A non-profit association serving strata owners since 1976

Bulletin: 300-159

Condo Smarts

Headline: Can a strata have its own line of credit or even credit cards?

Topic: Expenditures and credit cards

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In many ways, a strata corporation acts in ways remarkably similar to the way an average person does.

It can buy and sell items, take out mortgages, insure property and liability, enter into contracts and take court actions to protect its interests.

Unfortunately for some, strata corporations can also borrow money and authorize credit card accounts and lines of credit.

Over the Christmas holidays one Surrey strata was surprised to discover that its resident caretaker had racked up \$10,000 in credit card charges for Christmas lights and outdoor decorations.

The caretaker had decided to spruce up the place for the holidays without permission of council or a 3/4 vote of the owners - which should be done for a purchase of unauthorized items over \$1,000. Because most of the materials were opened and used they are unable to return them, leaving the owners with a nasty New Year's headache.

Credit tips: Before you authorize credit cards, charge accounts or the borrowing of funds, consider what liability you may be exposed to. How much can be spent on the limit? Even a \$250 limit per transaction can become thousands within a month. Who has access to the cards? What are the payment options and the rate of interest? Do

purchases require pre-authorization before they are activated? How will the money owing be paid?

The owners in Surrey are convening a special general meeting to vote by 3/4 vote how they will pay the bill, and to consider what action to take against their caretaker. Acting as an authorized employee/agent of the corporation, he has left the strata holding the bills.

They should insist upon a legal review of any repayment agreement with the caretaker before they sign. It would add insult to injury for them to get caught in a nasty repayment scheme that is plagued with penalties and compounding interest that may take years to pay off.

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