Condo Smarts
Headline: How Safe is Your Money
Topic: Finances
Publication date: March 15, 2009
Publication: The Province
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Dear Condo Smarts: When our strata hired a new strata management company last year, we were told by the manager at our first meeting that it was best for the company to hold our trust funds because they were insured and bonded for the trust funds. Based on the information we received and the fact that the company was licensed, we decided it was the best course of action. Now our management company has moved bank accounts and our trust funds without our knowledge or permission, and refused to tell us what banking institution our funds are being held in. We are deeply concerned about the security of our funds, how they are being handled, and what is being collected from owners, as we have received several complaints about double dipping of monthly strata fees. Where can we file a complaint regarding this company and how do we know if our funds are safe? DV, Surrey.

Dear DV: The safe management and disclosure of strata trust funds is one of the most critical issues a strata council will have to address. If a managing broker holds your operating, reserve or special levy funds, they must be held in a separate trust in your strata name, "In trust for the owners, strata plan (ABC1234)." The location of those funds must be disclosed and the managing broker must provide to the strata corporation the actual monthly bank and investment statements of those accounts. Those balances and expenses should then be cross referenced each month by your treasurer and approved by the strata council as part of your financial process. If the information is not being disclosed as required by Real Estate Services Act, Regulations and Rules of the Real Estate Council, you may have a serious problem. Request the documents from your broker. If they are not provided on request, your next step for your strata council is a complaint to the Real Estate Council. Ask to speak with a compliance officer at 604-683-9664. There is a significant other issue here that every strata corporation should be aware of. Under the Rules of the Council, the duty of a brokerage is to disclose material information that may affect your contractual relationship with that party or may have an impact or your decision process. For example, to state "the funds are insured" in itself is not sufficient and may be misleading. Trust funds held by a brokerage have limited coverage under the Compensation Fund. The brokerages are only covered for a maximum of $350,000 per brokerage and $100,000 per claimant. If a brokerage were to suffer a theft or fraud of funds, at best your strata corporation funds would only be covered for $100,000. Comparatively, funds held by your lawyer for special levies, are covered to a maximum of $300,000 per claimant, under the Law Society Trust protection. Simply put, if your strata has a special levy for a roof replacement for $800,000 the maximum possible amount that would be covered would be $100,000 unless the brokerage has arranged other bonding or insurance. If several strata corporations were included in the same brokerage where there is a loss, then it’s only a share of a total of $350,000. If additional insurance has been arranged, a copy of that insurance must be provided to your strata council on request. Whether you are self-managed or hire a brokerage, request back up documentation, review your bank statements every month, and scrutinize your financial statements on all financial accounts and investments.