



[Home](#) > [For Home Owners](#) > [AGM 2016 Documents](#) > [Handling of Debtors\[L\]](#)

Handling of Debtors [L]

Side, 24. April 2016

Gerard (C9/D6) is as Arcadia homeowner proposing more firm rules on handling debtors (homeowners not paying their service fee timely). Until now the procedure has been uncertain with financial losses and administrative problems as consequences.

The proposed rules and procedures are:

1. Base service fees must be prepaid on a monthly basis. E.g. service fee for August must be paid at latest by the end of July.
2. Investment/Reserve fees must be prepaid as agreed at the AGM
3. If a payment is 1 month overdue and larger than 300 TL a warning letter will be sent out by the Property Manager informing the homeowner that outstanding debts must be paid within 2 weeks and an administration fee of 100 TL will be added in case of non-compliance.
4. If no proper reaction within two weeks a second warning letter is issued by the Property Manager informing that 100 TL has been added to his debts and that legal actions will be prepared within the next two weeks. A copy of the information letter on legal actions is attached to the second warning letter and all Control Board members notified.
5. The Control Board will evaluate the situation and make make a proper action plan. The debtor may contact the Control Board to make an arrangement for paying the debts. The Control board is authorized to make such a firm agreement if a monthly interest of 3 percent is paid by the debtor. If no agreement is not obtained, the Control Board will approve that the case is turned over to our solicitor for further legal action.
6. The Property Manager turns over the case to our solicitor with supporting documentation, and legal actions continue from there. The Control Board is informed by the Property Manager on a regular basis

Information on legal actions

When the case is turned over to the solicitor the **expected legal steps** are:

- A registred letter is sent to the homeowners address in Arcadia.
- After two weeks a second registred letter is sent to the official address (government registration). Even if the registered letter is not received by the homeowner this is enough to proceed
- Solicitor inform attachment court in writing and get it stamped in court
- Now the homeowner is blocked for making bank credits, selling and buying cars, appartments etc. This means that he cannot sell his Arcadia Apartment without paying us first.
- The homeowner is also blocked for selling his apartment in Arcadia

- Monthly interest of 5 percent is added to the total debts (TCL Article 20)
- Legal costs must be paid by the homeowner as a start but will be reclaimed by the debtor
- Finally legal actions will be taken to sell the apartment for highest bid. Please be aware that if the debtor owes money to the government this will have higher priority.

Expected fees for starting legal actions paid by creditor:

- Standard file opening cost 33,50 TL
- Stamps 10 TL
- 4,55 percent of the amount for court expenses
- 2,0 percent of the amount for other administrative costs of collecting the debts.

Example: A homeowner owes us 2.000 TL and we decide to start legal actions. This will cost will be 174,50 TL.

Expected cost for the debtor:

- 5 percent/month of amount penalty to the creditor
- Solicitor cost is 12 percent of (amount + penalty to creditor)
- Other Expenditures 0,4 percent
- About 6 percent for court expenses

Example: A homeowner owed us 2.670 TL. Then interest was added and the sum was 2.820,26 TL. Here you can see expenses added in the court:

So you can see that 2.670 TL owed to us became 3.331,94 TL from day one and now growing with 5 percent per month. This is a very serious matter for homeowners and in most cases they prefer to pay. And if they don't pay we will continue the procedure of selling their property.

This penalty will be valid for ever until the creditor pays, and in most cases (about 90 percent) the creditor gets the money back with a very good interest of 5 percent per month.

For us the main problem is that the other homeowners must pay a temporarily higher fee to cover for the fees not paid by the debtor and for legal actions expenses.

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