



THE LAW SOCIETY
OF NEW SOUTH WALES

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12 December 2025

Mr Peter Achterstraat AM
NSW Productivity and Equality Commissioner
NSW Productivity and Equality Commission
GPO Box 5469
Sydney NSW 2001

By email: stratacommissionsreview@treasury.nsw.gov.au

Dear Commissioner,

STRATA COMMISSIONS REVIEW

Thank you for the opportunity to provide feedback in relation to the *Strata Commissions Review - Assessing the market impacts of payments to strata managers Issues paper (Issues Paper)*. The Law Society's Property and Business Law Committees contributed to this submission.

The Issues Paper presents three policy options in relation to strata commissions:

- Option 1 - Self-regulation imposing a ban on insurance commissions
- Option 2 - Prohibiting strata managing agents in NSW accepting commissions
- Option 3 - Prohibiting managers buying goods and services involving commissions.

The Law Society supports Option 2 as the most appropriate and effective means of addressing the issue of strata managers receiving commissions in relation to insurance and other products and services. We set out our comments on the three options below.

Option 1 - Self-regulation imposing a ban on insurance commissions

While it is a positive development that the Strata Community Association (**SCA**) NSW has announced that it will begin a phased replacement of insurance commissions, we do not consider that a self-regulatory model will be a sufficient policy response. As the Issues Paper noted on page 26, approximately 75% of strata managers are members of the SCA, with the Real Estate Institute of New South Wales having the next largest share of membership. As some strata managers will not be a member of an industry association, there will be a gap in who is subject to the ban on strata commissions, effectively reducing the potential effectiveness of this approach. Additionally, as membership is voluntary, strata managers who wish to continue receiving insurance commissions may choose to discontinue their membership, and there will be a disincentive for new strata managers to join the industry association, as identified on page 26 of the Issues Paper.

The Issues Paper also identifies on page 26 that industry associations:

do not have significant resources to devote to reviewing compliance and enforcing policies.

The lack of resources and adequate enforcement powers of industry associations will likely reduce the effectiveness of a self-regulatory model.

The Issues Paper notes on page 26 that:

The self-regulation option, which is light touch in nature, is unlikely to result in a complete phasing out of conflicted payments, or even insurance commissions across the NSW strata management sector...

Given the prevalence of strata commissions in the industry, we regard the issue as requiring more than a “light touch” response through self-regulation. We also agree that this approach is unlikely to result in a complete phasing out of conflicted payments and insurance commissions.

Unlike Options 2 and 3, the self-regulatory model proposed as Option 1 is focused only on insurance commissions. In our view it would be preferable to comprehensively address the issue of *all* commissions paid to strata managers, as any commission received by a strata manager raises a concern as to whether the strata manager has acted in its own interest, or the best interest of the owners corporation.

We do not consider that a self-regulation model will improve consumer confidence and outcomes. A stronger policy response is needed, warranting external regulation. We therefore do not support option 1.

Option 2 - Prohibiting strata managing agents in NSW accepting commissions

The Law Society supports Option 2 as a more appropriate policy response. Unlike Option 1, it will impact all strata managers irrespective of whether or not they are members of an industry association.

Option 2 also targets *all* commissions, rather than only insurance commissions which is the focus of Option 1. Given the underlying conflict of interest inherent in a strata manager receiving any commission, we support the more comprehensive scope of Option 2.

Importantly, compliance and enforcement of the proposed prohibition under Option 2 will be supported by the resources of NSW Fair Trading, and build upon existing frameworks for penalties and disciplinary action.

In the context of insurance brokers receiving commissions on strata insurance policies, we support the suggestion made at page 27, of disclosure arrangements “to encourage the savings from strata commissions to be passed onto consumers”. We agree that additional disclosure in relation to insurance brokers’ commissions may assist owners corporations and strata managers to find lower cost insurance broking services.

In relation to vertical integration, the Issues Paper notes at page 24 that the extent or impacts of this practice on competition in the strata services sector “are not yet clear”. While we acknowledge the ability for strata managers to vertically integrate may drive some genuine costs efficiencies and innovation as highlighted on page 13 of the Issues Paper, this model may potentially distort the market. For example, in our members’ experience, vertical integration can create a vehicle for commissions that may be used to subsidise lower fees. Option 2, may, therefore increase competition by removing the ability to accept commissions, without a prohibition on vertical integration itself.

Option 3 - Prohibiting managers buying goods and services involving commissions

While this option is the most comprehensive, in our view it places an unreasonable burden on a strata manager, to interrogate whether any commissions have been paid for goods and services further up the supply chain. Given the complexities and challenges of Option 3 noted on page 28 of the Issues Paper, we do not support Option 3.

Should the Government proceed with any of these reform options in relation to strata commissions, we suggest it will be important to actively monitor the impact of the reforms. In our view, any associated legislation should provide for a review within three years of commencement.

Any questions in relation to this letter should be directed to Gabrielle Lea, Senior Policy Lawyer, at gabrielle.lea@lawsociety.com.au or on (02) 9926 0375.

Yours sincerely,



Jennifer Ball
President