

# Fighting back against unfair secret commissions

When I created Mulberry Insurance Services over 30 years ago I did it with a deliberate focus on the commercial real estate sector.

Back then, I happily offered commissions to managing agents and landlords who placed business with us, sometimes as much as £3.5m every year, but I was blissfully unaware they were accepting these commissions without notifying their clients.

Fast forward 23 years and the issue raised its head for me when it came to light that a managing agent we had formerly worked with for many years had not been disclosing these commission payments to their clients, and one of those clients decided to take us to court for £800,000.

After two years of legal disputes we settled for £220,000 plus £168,000 in legal fees. That told me that the business model we were using at Mulberry was wrong, and we needed to drastically remodel the business and start doing things differently.

Because we were not offering the kickbacks to the managing agents, business was very difficult to come by and three years ago I decided to sell the business after losing our biggest client because I refused to pay a £500,000 commission another broker was willing to offer.

It was then that I decided to launch M2 Recovery in order to help property owners and tenants who may have fallen foul of secret commissions in the past, and possibly recover up to six years' worth of undisclosed commissions.

The bottom line is that any commission generated from a property insurance policy must be reasonable and it must be disclosed if it is paid to a third party, such as a managing agent, for there to be full transparency and that is something I strongly believe in.

My fight against these secret commissions that have stained the industry I have worked in since 1974 has even taken me to the Houses of Parliament where I presented to a Select Committee chaired by Sir Peter Bottomley MP to look into reforms for the leasehold property market.

I am passionate that commission arrangements need to be fair and transparent, and not just used to line the pockets of middlemen while artificially inflating premiums for the end-user.

In our experience, the prevalence of secret commissions is widespread within the commercial property sector. Unfortunately, we also know there is widespread reluctance to change due to the fact that these secret commission payments are often financially supporting a business or subsidising other less profitable activities within that business.

Some of the people that I speak to within the property insurance industry are unaware of the issue, but in many cases there is simply too much at stake for them to change their practices, and the situation is therefore left to continue.

That, however, must change and it is to that end that M2 Recovery is working.

*Try our Secret Commission Calculator to see how much you may be able to recover in unfair commission payments*