

Secret Commission: Time for a change



Secret commissions are a serious problem for the commercial real estate sector. Millions of pounds are being paid to unscrupulous managing agents and landlords every year without the knowledge of those they are acting on behalf of.

The way the practice works is that the freeholder or managing agent negotiates the commercial property insurance on behalf of the tenant or leaseholder, receiving a commission from the broker in return for the business.

While commissions themselves are a fair and expected feature of such negotiations, all parties must remain fair and open with the various stakeholders involved in the deal. With secret commissions, the amount of the payment is not disclosed to the end party who is paying the premium to the broker, and as such the payment made by the broker in return for the insurance policy is inflated to an unreasonable level to ensure they receive that particular piece of business.

In both cases, the end user, usually the unsuspecting tenant, ends up paying an excessive level of premium for the level of cover they are receiving.

Here at M2 Recovery we are experts in analysing and recovering these unfair secret commission payments, and it was for this reason that our founder, Neil Holloway, was called upon by MPs to speak at a Government Select Committee inquiry into possible reforms for the leasehold market, including what can be done to fight back against secret commissions.

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 our teams 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.

The bottom line here is that 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.

If you are a landlord or managing agent and you are knowingly benefitting from secret commissions, then our professional advice to you would be to ensure that you are upholding your responsibility to deal fairly and transparently throughout the process.

It is just a matter of time before this situation is made public knowledge, and turning a blind eye to unreasonable business practice will not be an adequate defence when this situation is brought into the open and possibly into the courts.

As part of our M2 Recovery service, we can review your commission arrangements without commitment. In some cases this could lead to secret commission payments being identified and the possibility that the previous six years' worth of payments could be recovered, as we were able to do for a portfolio of more than 150 NCP car parks.



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I began my career in insurance in 1974 working for a provincial insurance brokers based in the Midlands. In 1985 I joined a City of London insurance brokerage and following the sale of this business I was persuaded by the directors to establish my own insurance brokerage in 1987.

My first office opened in Rugby and subsequently relocated to Daventry. Following this I opened an office in Berkeley Square, London.

I founded M2 Recovery Ltd in 2016, with the objective of helping landlords of commercial property recover hidden commission payments. These payments are taken by managing agents arranging the property insurance through their preferred broker.

M2 Recovery seeks to identify and ultimately recover secret insurance commission payments that have been passed onto the property managing agent. This 'secret commission' can mean a lack of fair competition within the insurance sector with commercial clients unable to make an informed comparison between insurers.

I believe this practice needs to be highlighted, as it ultimately leads to excessive insurance premiums being charged to the property owner. The idea that commission is paid to those arranging insurance is not new and certainly isn't illegal. It does, however, bring with it a number of challenges and responsibilities. In today's ever-changing world, what was seen as acceptable business practice five years ago may now be viewed in a completely different and sometimes unfavourable light.

Having established the business over an initial period of 2 years I was successful in recovering £1million secret commission for a large portfolio of DIY retail.

I am very proud that my business is based upon achieving full transparency for all parties involved in insurance transactions. I believe M2 Recovery is a revolutionary offering which benefits all of my clients