

# JUDGEMENT

## Unfair, dishonest and illegal: The truth about secret commissions

The world of commercial property insurance might not seem like a murky business to be involved in, but unscrupulous managing agents are conning landlords and leaseholders out of millions of pounds every year.

By offering to negotiate the property insurance on behalf of their tenants and leaseholders, often also offering reduced management fees in return for this privilege, the managing agent opens up an avenue for it to be able to place the business with an insurance broker of its choice.

As part of the premiums paid for the insurance policy, which is often way above the market average, there will be a commission payment included from the broker to the managing agent, which can run into the hundreds of thousands of pounds for every year the policy is in place.

The cost of this commission is then passed on to the end user, namely the tenant or leaseholder, without disclosing the details of the payment, artificially inflating the price of the policy at the expense of the landlord or leaseholder while simultaneously lining the pockets of the managing agent.

While commission payments themselves are a fair and expected feature of such negotiations, all parties must remain fair and transparent with the various stakeholders involved in the transaction. 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.

Now obviously this is a grossly unfair situation for the tenant or leaseholder to be in, as it artificially inflates the overall cost of their property insurance and offers them no transparency as to the details of the deal or the payments that have been made.

M2 Recovery was set up 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.