Cyprus Banks Association – Memorandum

The Management of Jointly-Owned Buildings and Related Matters Law of 2023

We refer to the above Bill, which was discussed at the meeting of the House Committee on Interior Affairs on 25 September 2025, and we underline the necessity of establishing a comprehensive and effective legal framework regulating the management of jointly-owned buildings.

Below, we restate our positions and recommendations on the revised Bill, most of which were also included in our memorandum dated 5 December 2024 to the Committee and the Ministry of the Interior but have not yet been adopted.

Article 5

The Bill assigns the responsibilities and powers of the Service to the EOAs (Competent Authorities). Given the delays already observed, our members are reasonably concerned as to whether the EOAs will be able to respond within reasonable timeframes, which must be clearly set in the legislation.

Article 7(1)

Each unit owner should have access to an updated electronic Register, which we consider necessary to establish.

In addition, for the purpose of providing services to the Management Committee (MC), credit institutions should have access to the electronic Register in order to confirm the identity of MC members at any given time. Until such a Register is created, Article 7(1)(d) should at minimum be amended to include the responsibility of the Service to issue a certificate confirming the members of the MC to credit institutions within a short, predetermined period.

Article 9

Ensuring the continuous existence of a Management Committee is a necessary condition for implementing the provisions of the Bill. In particular, for credit institutions, this is of critical importance because:

- It is essential for the maintenance and repair of a building which may either be owned by a bank or encumbered with a mortgage or other charge.
- If Article 14(1)(8) is adopted and no MC exists to issue a certificate of communal expense settlement, all transfers to and from credit institutions in the context of non-performing loan restructuring will cease.

Based on experience to date with MCs and the relevant articles of the Bill, the following concerns arise:

- According to Article 9, owners must appoint, or request the Service to appoint, a temporary MC. There is no mechanism for appointment at the request of a mortgage holder or other charge holder, nor for the Service to appoint a temporary MC ex officio where there is no interest. In such cases, the Service could appoint third parties as provided by Article 9(2).
- If an MC ceases to function or fails to renew its registration, the Service appoints an MC upon the request of any owner (Article 10(1)). This does not cover situations where a credit institution is secured by a mortgage or other charge on a unit/building, but does not have the right to request the appointment of an MC to maintain/repair the building. This could adversely affect the marketability and value of the collateral and create capital requirements. Therefore, it is very important that credit institutions have the right to request the appointment of an MC. The same right could also be granted to other interested parties (e.g. tenants).

- Article 10(1) does not cover the possibility that an MC never existed. We suggest an amendment as follows: "… ceased to function or failed to renew its registration, or for any reason there is no registered MC, the Service…".
- Where election of an MC is by general assembly, it is very often the case that foreign owners, particularly those with non-performing loans, abandon Cyprus and cannot be notified of the meeting. Article 10(2) provides that where a general assembly cannot be convened, the Service may appoint an MC. In our view, a reasonable time limit should be imposed for the completion of this process so that buildings do not remain without an MC for long periods.

As a general comment on all the above, and for the reasons mentioned, there should be a set short deadline for the appointment of an MC (whether by an owner, the Service, or a charge holder) and for the completion of procedures.

Article 14(1)(a)

The reservation should be reworded to make it clear that the possibility of monitoring and checking the account by owners is only through the MC and not directly from the credit institution where the account is held.

Article 14(2)

To address the chronic problems observed in the collection of communal expenses by MCs, and given the lengthy timeframes required for court judgments, efforts should be made to find alternative collection methods. For example, it could be examined whether, as a stronger pressure mechanism on owners, after the final determination of the amount owed by the Service, a charge could be registered without a court judgment.

Article 14(3)

For obligations imposed under subsections (a), (b), and (c), a maximum timeframe of 15 days should be set from the date the relevant application is submitted to the MC. Based on the experience of credit institutions with MCs, difficulties in their response are generally observed. It would also be appropriate to define a standard form of clearance certificate, to be accepted by the Land Registry.

In addition, the second reservation should include that a credit institution with an interest in a unit has a legal right of action for compensation and a right of complaint to the Service.

Article 21(1)

The Article does not regulate the issue of interest that may be imposed by the MC on amounts outstanding before legal proceedings are initiated. We consider that the imposition of interest may be a useful tool for collecting communal expenses, but the rate must be set, as it has been observed that interest rates of up to 12% are imposed.

Our proposal is that:
(a) a provision should be introduced in the Bill for a maximum interest rate of 2% (in line with the statutory default interest rate under the Law on the Liberalisation of Interest Rates), and that the right to impose fines should be abolished, or
(b) the right to impose fines should remain, with a defined maximum limit, and a provision introduced that MCs may not impose interest.

We believe that the imposition of interest and/or fines without being regulated in the Bill will cause disputes between owners and the MC. Therefore, it is necessary for these matters to be regulated.

Article 24

To ensure continuous insurance coverage of the building, provision should be made that the MC must notify the Service of each annual renewal of the insurance policy, not only at its inception.

Article 32(4)

It is unclear what constitutes reasonable diligence and, in general, how the defence attempted to be established by the Article will be applied.

Final Note

We also stress the necessity of introducing a transitional provision so that the necessary procedures for establishing and registering MCs in all jointly-owned buildings are completed before the Law comes into force.

CYPRUS BANKS ASSOCIATION
September 2025