

## Arrears TIP SHEET



# Directors in Arrears

## Saying “no” to directors in arrears

It goes without saying that every housing co-op expects all members to pay their housing charges. But life happens and sometimes members do go into arrears.

Arrears create financial difficulties for housing co-ops because they reduce the funds available to meet expenses like the monthly mortgage payment, capital repairs, property taxes and maintenance. They also cost all members money, because at the end of the day, if the arrears aren't paid, the other members must pay up.

## But what happens when the member in arrears is a *board member*?

There are financial and ethical reasons why a member of the co-op's board of directors should not be in arrears.

### Financial reasons

We know that in housing co-ops where directors are in arrears member arrears are usually high—perhaps that's because boards aren't good at enforcing rules they don't follow themselves. In fact, it's known that co-ops with at least one director in arrears have four times the total arrears and bad debts of co-ops without directors in arrears.

### Ethical reasons

A director's duty to the co-op is to act in a way that is in the best interests of the co-op, and to uphold the rules/by-laws and policies as an example to others. Directors should be model members.

Ethically, directors in arrears simply don't have a lot of moral authority to collect arrears from others: if they aren't setting an example of the behaviour expected of members then they lack credibility, and can also be seen as receiving preferential treatment.

## What your co-op should do about directors in arrears

Some housing co-ops permit a director in arrears to remain on the board as long as they have signed, and are keeping to, an arrears agreement. We don't think that's the best approach.

If possible, a Director should either pay the outstanding amount in full in order to remain on the board, or step down. It's that simple. A director in arrears is putting their housing co-op at risk.

Housing co-ops should consider approving or amending a by-law or rule that ensures that members in arrears cannot serve on the co-op's board.

### In Ontario

In Ontario contact the CHF Canada Ontario Region office or check out model by-laws on the CHF Canada website. The new model Organizational and Occupancy By-law includes provisions that prevent a member in arrears from running for the board and requires a director who gets into arrears to step down. Your co-op is encouraged to adopt the new model by-laws if you haven't done so already.

### In British Columbia

In British Columbia, contact the Co-operative Housing Federation of British Columbia or check out Model Rules 2.0 at [www.chf.bc.ca](http://www.chf.bc.ca). The model rules include provisions that prevent a member in arrears from running for the board and specify when a director is no longer qualified to continue serving on the board. Your co-op is encouraged to adopt the model rules if it haven't done so already.

For more information about Directors in arrears contact check out CHF Canada's Education Resources at [www.chfcanada.coop](http://www.chfcanada.coop).