
5 December 2016

CEA's Disciplinary Committee imposes financial penalties on real estate agency and agent for the sale and marketing of foreign property

The Council for Estate Agencies' (CEA) Disciplinary Committee has sentenced SQFT Global Properties Singapore Pte Ltd (SQFT) to a financial penalty of S\$10,000 for one count of failing to supervise Paleenia Wong Mui Wah, who was its property agent then, regarding the conduct of her estate agency work for the sale and marketing of Albany Heights Villas, a property in Auckland, New Zealand.

2. The Disciplinary Committee also sentenced Wong to a financial penalty of S\$6,000 for misrepresenting to an investor that the NZ\$65,000 to be paid by the investor in relation to his purchase of a unit in Albany Heights Villas would be kept safe in a law practice's trust account for the construction of Albany Heights Villas, and that the developer, Albany Heights Villa Ltd, would not be able to use the money in the trust account for other purposes.

3. The representation turned out to be false as the developer took money from the trust account without any construction having started on Albany Heights Villas. The investor has not been able to recover the money. Wong had thereby failed to act reasonably towards the investor in the sale and marketing of Albany Heights Villas.

CEA's charges against SQFT and Wong

4. SQFT was charged under paragraph 4(2)(b) of the Code of Practice For Estate Agents, in the Second Schedule of the Estate Agents (Estate Agency Work) Regulations 2010 of the Estate Agents Act (Cap. 95A). The relevant part of paragraph

4(2)(b) states that estate agents¹ shall manage and supervise their salespersons to ensure that their salespersons conduct their estate agency work in a professional and reasonable manner.

5. Wong was charged under paragraph 6(3) read with paragraph 6(4)(c) of the Code of Ethics and Professional Client Care, in the First Schedule of the Estate Agents (Estate Agency Work) Regulations 2010 of the Estate Agents Act (Cap. 95A). The relevant parts of the paragraphs state that in the conduct of estate agency work on behalf of a client, the salesperson must act in a reasonable manner towards all other persons and must not misrepresent any relevant fact.

6. Around mid-April 2011, a prospective investor saw SQFT's advertisement in the newspapers regarding the sale of freehold properties in New Zealand. The investor contacted Wong as her contact details were set out in SQFT's advertisement. In May 2011, Wong met the investor and his relatives. She explained to them the investment offer relating to individual units in Albany Heights Villas known as a "First Right of Refusal" (FRR). Under the FRR, when an investor decides to purchase the FRR, he would fill up a FRR agreement and pay a FRR price.

7. The investor and his relatives decided to purchase a unit in Albany Heights Villas. They signed the FRR agreement and paid a total of NZ\$65,000 that was the FRR price of the unit he purchased into a "Harkness Law Trust Account" with ANZ bank.

8. When the investor asked Wong why the FRR price was being paid into the ANZ account, Wong misrepresented to him that the money paid as the FRR price would be kept safe in the ANZ account for the construction of Albany Height Villas and the developer, Albany Heights Villa Ltd, would not be able to use the money for other purposes. On June 2011, however, the monies in the ANZ account was subsequently

¹ Under the Estate Agents Act (Cap. 95A), "estate agents" refer to estate agency businesses (sole-proprietors, partnerships, and companies) or individuals who do estate agency work. Estate agency businesses are commonly known as property agencies. "Salespersons" refer to individuals who perform estate agency work. They are commonly known as property agents.

transferred to the developer without any construction having started on the development.

9. Subsequently on or around 5 February 2013, Albany Heights Villa Ltd went into liquidation.

10. Neither SQFT nor Wong conducted proper due diligence checks on the ANZ account. SQFT failed to understand the true nature of the ANZ account that there was no restriction on the withdrawal of funds from the account by Albany Heights Villa Ltd and failed to supervise Wong in her verbal representation to the investor. As such, Wong had no basis at all to give the assurances to the investor. Accordingly, SQFT had failed to supervise Wong to ensure that she conducted her estate agency work in a professional and reasonable manner.

11. The case details are in the **Annex**.

CEA's regulatory framework

12. The duties, business activities, and conduct of property agencies and agents in Singapore are governed by the Estate Agents Act and Regulations, which include the Code of Practice and the Code of Ethics and Professional Client Care. These are in place to raise the ethical and professional standards of the real estate agency industry and to safeguard consumers' interests.

13. Property agencies and agents who breach the Codes are liable to face disciplinary action by a Disciplinary Committee. The Committee comprises members who are nominated from a [disciplinary panel](#) that includes practicing solicitors and other professionals from the real estate industry.

Advice to consumers

14. Buying a foreign property is a big investment. Given the complexities and risks involved, consumers should find out and understand pertinent information such as the foreign country's rules and restrictions on property purchases and ownership, whether the property has obtained approvals from the authorities, taxes payable, pricing and

terms and conditions of the purchase, the foreign property market condition, currency exchange risks, etc.

15. Consumers should exercise due diligence before entering into any agreement to buy foreign properties. They should not rely solely on the advice from representatives of the foreign developer. For more tips, consumers can refer to CEA's [guide](#) on buying foreign properties.

About the Council for Estate Agencies

The Council for Estate Agencies (CEA) is a statutory board established in 2010 under the Estate Agents Act to regulate and promote the development of a professional and trusted real estate agency industry. The key responsibilities of the CEA are to license property agencies and register property agents, promote the integrity and competence of property agencies and property agents, and equip consumers with the necessary knowledge to make informed decisions in property transactions. For more information, please visit: www.cea.gov.sg.

DETAILS OF THE CHARGES AGAINST SQFT AND PALEENIA WONG

1. On 23 May 2011, SQFT Global Properties Singapore Pte Ltd (SQFT) entered into an agreement with Albany Heights Villas Ltd to market properties to be built on 75 – 125 Gills Road, Albany, Auckland in New Zealand. However, SQFT had already begun marketing the development Albany Heights Villas to prospective investors in Singapore before entering the agreement.
2. Around mid-April 2011, a prospective investor saw SQFT’s advertisement in the newspapers regarding the sale of freehold properties in New Zealand. He called the number in the advertisement and Paleenia Wong Mui Wah, who was a property agent with SQFT then, returned the call. Wong subsequently arranged for a meeting with the investor.
3. Around 22 May 2011, Wong met the investor and his relatives. She explained to them the investment offer relating to individual units in Albany Heights Villas known as “First Right of Refusal” (FRR). Under the FRR, when an investor decides to purchase the FRR, he would fill up a FRR agreement and pay a booking fee of NZ\$5,000. Thereafter, he would need to pay another NZ\$60,000 within 10 days of execution of the FRR. Under this FRR agreement, an investor would pay a First Right of Refusal fee (FRR price).
4. Relying on the information, the investor and his relatives decided to purchase a unit in Albany Heights Villas. They signed the FRR agreement on the same day and paid S\$10,000.
5. Around 2 June 2011, the investor paid S\$50,303.43 by bank draft in favour of “Harkness Law Trust Account” with ANZ bank. The next day, he went to SQFT’s office and paid a further S\$5,000 using his credit card. In total, he paid NZ\$65,000 being the FRR price.

6. When the investor asked Wong why the FRR price was being paid to the ANZ account, Wong misrepresented to him that the money paid as the FRR price would be kept safe in the ANZ account for the construction of Albany Height Villas. The developer, Albany Heights Villa Ltd, would not be able to use the money for other purposes. However, in June 2011, the monies in the ANZ account was subsequently transferred to Albany Heights Villa Ltd without any construction having started on Albany Height Villas.

7. Subsequently on or around 5 February 2013, Albany Heights Villa Ltd went into liquidation.

8. SQFT had queried Hunter Sterling & Company Pte Ltd, the sole shareholder of Albany Heights Villas Ltd, when the funds in the Harkness Law Trust account would be used for the development Albany Heights Villas, and also the details of Albany Heights Villa Ltd's lawyer and the ANZ account. However, SQFT did not conduct sufficient checks on the answers provided in accordance with the industry standards required of a Singapore property agency marketing foreign properties to the Singaporean public.

9. SQFT did not take further steps to verify the information given by Hunter Sterling & Company Pte Ltd. These include failing to engage a law firm or professional services firm to do due diligence checks on the status and legal/beneficial owners of the ANZ account. SQFT also did not query the legal and beneficial owner of the account on the mandate of the account, and the signatories who can execute transactions for the account or the steps needed to draw on the account. In addition, it did not request for any documentation related to the ANZ account.

10. CEA's Disciplinary Committee sentenced SQFT to a financial penalty of S\$10,000 on 4 October 2016, and Wong a financial penalty of S\$6,000 on 28 November 2016 respectively for their respective breaches.
