5 things to know about Prescribed Estate Agency Agreements

Engaging a property agent but unsure of how you can protect your interests?

Fret not! You can use the Council for Estate Agency's (CEA) Prescribed Estate Agency Agreements as a contract between you and your property agent.

In the agreement, you can pen down details like the agreed commission rate and whether GST is included in the commission. You can also discuss the type and level of service you would like for your property agent to provide and include them in the agreement.

By using this contract, you and your agent will have the same understanding of your agent's scope and duties, as well as the terms and conditions. This will minimise potential misunderstanding or conflict that may arise during the property transaction.

Want to know more? Here are five things you should know about these agreements.

What is a Prescribed Estate Agency Agreement and why should I use it?

A prescribed estate agency agreement is a binding contract between you and your property agency/agent for the performance of estate agency work.

We strongly encourage you to use the prescribed agreements even when your property agent is someone you are familiar with.

CEA has eight Prescribed Estate Agency Agreements for the sale, purchase and lease of residential property transactions. You can choose to use either exclusive or non-exclusive agreements for each type of transaction.

The agreement protects the interests of both parties by bringing clarity to details in the property transaction including:
- Stipulating the duties of property agencies and agents
- Requiring the disclosure of any potential conflict of interest
- Prescribing for the commission to be payable to the property agency only upon completion of the property transaction
- Indicating if GST is included in the commission amount stated

Your property agent(s) should prepare the agreement based on their discussions with you. They should explain the agreement to you and give you sufficient time to read it before you sign the document. They should give you a copy of the signed agreement.

Besides protecting the interests of parties involved in the property transaction, signing CEA’s Prescribed Estate Agency Agreements allows you to make use of CEAs Dispute Resolution Scheme should you encounter any subsequent contractual disputes with your property agent. The Dispute Resolution Scheme offers a choice of mediation or arbitration through centres approved by CEA.
In an exclusive agreement, the appointed property agency is likely to devote more time and resources to look after your interests.

For exclusive agreements:
- You appoint only one property agency during the validity period of up to three months
- During the validity period, you are liable to pay commission to the appointed property agency even if you sell, buy or lease the property through another agency or completed the transaction on your own
- Within three months after the validity period, you are still liable to pay commission to the appointed agency if the property is transacted with a party introduced by your appointed agency during the validity period.

For non-exclusive agreements:
- You appoint a few property agencies to help you sell, buy or rent a property.
- You need to clarify which property agent can claim commission from you if more than one property agent introduced the other party to you.
- You should pay commission to the property agency which successfully helps you to complete your property transaction.

Non-exclusive Agreement

Exclusive Agreement

Whether you decide to engage one or a few property agents to help in your property transaction, be sure to sign an estate agency agreement with them to safeguard your interests.

Should I use exclusive or non-exclusive agreements?

You can choose the type of agreement depending on your needs and preferences.

Generally, if you engage a property agent on an exclusive basis, he/she is likely to devote more resources and time to look after your interests.

You can also request your property agent to add on a "Commitment to Service" document to the exclusive agency agreement with the property agency. In this document, you discuss and agree with your property agent on the level and extent of services offered, such as frequency of advertisements and "open house" sessions.

You can choose to terminate the agreement if your agent does not meet the commitment to service.

At which point in the property transaction do I sign the agreement?

It is advisable that you sign the agreement with your property agent when you decided to engage his/her services.

You should be given a copy of the signed agreement immediately or as soon as possible. Do request a copy from your agent if they do not extend one to you.

Can I include additional terms or edit the terms in the prescribed agreement?

You can include additional agreed clauses at the end of the prescribed agreement. If there is insufficient space, you can write or print the additional terms in black ink on a separate sheet of pink paper. The font should not be smaller than the font of the original prescribed agreement. These additional terms must not conflict with, vary or limit the prescribed terms of the agreement.

In addition, you should not strike out any of the existing clauses in the prescribed agreement. Property agencies should not pre-type any matter that they have to negotiate with you on nor pre-select options for you. Both parties should date and initial beside any amendments made to the additional terms, information filled in the blanks, and changes to the prescribed agreement.

Engaging a property agent soon?

The CEA strongly advises you to check the particulars of your property agent at the Public Register. The Public Register contains the records of all property agencies, licensed and property agents registered with the CEA.

Simply, key in the information on the Estate Agent card including the name of the property agent/agency, the registration/license number or the agent's middle name into the Public Register. You can then check if the information and photograph tallies.

Use the Public Register at our CEA website (www.ce.gov.za) or via our mobile app at ECAARSSS.

Remember, commissions are negotiable and you can also choose to complete property transactions on your own.

I impersonated a registered property agents and got $40,000.

Wow, so much commission?

No, it was a fraud! My client exposed my identity to CEA after checking the Public Register...