

Commission Rates - Fixed or Negotiable?

Consumers often ask “Is commission rate fixed?” The answer is “No”.

Commission rate is in fact negotiable.

In a public perception survey commissioned by the Council for Estate Agencies (CEA) last year, consumers showed low awareness that the commission payable to an estate agent/salesperson is negotiable.

CEA does not fix commission rates or provide commission guidelines so as to allow market forces to drive competitive pricing in the industry. Salespersons will then have the incentive to price their services competitively, and you, as a consumer, can negotiate the best rates for the services you require.

Salespersons are expected to act ethically and should not impose any commission or fee on you without having explained and obtained your agreement. You are free to negotiate the quantum and components of fees and expenses, and terms with the salesperson.

You are encouraged to compare fees and services offered by different salespersons, before deciding on your choice of a salesperson. This will facilitate and encourage competition among salespersons. To allow you to make informed choices, salespersons can provide a breakdown of their fees vis-à-vis the level of services and options they provide.

The salesperson cannot collect commission or fees from more than one party in a transaction. If he collects commission from you, he cannot collect a commission or co-broking fee or payment from the other party or from the latter's salesperson.

Please note that:-

- CEA is unable to help you negotiate or reduce commission payments.
- Commissions should be paid to your estate agent and not directly to your salesperson.
- A GST-registered estate agent is allowed to charge and collect GST. Clarify with your salesperson if the GST payable is factored into the commission amount stated in the agreement.
- Salespersons earn their commission only upon successful transaction and receive payment after the transaction has completed.

When engaging a salesperson, consumers are advised to use CEA's prescribed estate agency agreement as it protects the interest of both parties. The commission amount or rate agreed upon should be recorded and a copy of the agreement given to you. If you and the salesperson wish to include mutually agreeable terms and conditions that are not printed in CEA's prescribed estate agency agreement, these additional terms should be added in the space provided or on a separate pink sheet of paper. The additional terms cannot conflict with, or vary from, the printed prescribed terms.

There are prescribed agreements for the sale, purchase or lease of residential properties in Singapore. The agreements can be found at www.cea.gov.sg.

Having signed one of the prescribed estate agency agreements, you can make use of CEA's Dispute Resolution Scheme in the event of a dispute which cannot be resolved with your estate agent/salesperson. You can seek to resolve disputes through mediation or arbitration.

Mediation is a process where the mediator facilitates the consumer and estate agent to resolve a dispute and come to a mutually acceptable agreement. The decision is left to the parties and not dictated by the mediator. Arbitration is a process where the arbitrator will consider the issues of both parties and make a decision binding on both parties.

Case Study - *Consumer engaged a salesperson to sell her property. The salesperson found a buyer and transaction closed at the offered price. However, there was a dispute between the consumer and salesperson on whether the offered price included the furniture in the property. The case went for mediation under CEA's Dispute Resolution Scheme and was resolved with a reduction in commission payable by the consumer.*

Case Study – *Consumer engaged a salesperson to sell his property and a dispute ensued as the cash proceeds was \$5,000 instead of the \$20,000 advised by the salesperson. The dispute was mediated and a reduced commission was eventually paid.*

Today, the salesperson is professionally qualified and when engaged, they deliver their service with compliance to requirements stated in the agency agreement, the Code of Ethics & Professional Client Care and the Regulations. They are therefore entitled to their commission when the transaction is completed.