

S/N 3/2021 – Failure to Check and Ensure that an Alleged Company Representative had the Authority to Sign a Tenancy Agreement for the Rental of a Property on behalf of the Company

Facts of Case

In or around early 2018, the owner of a Property was looking for a tenant for the Property. The owner's husband, Mr. L assisted her with doing so.

Mr. L engaged B (who had previously assisted him in other rental transactions) to assist in looking for tenants to lease the Property. Thereafter, B informed other salespersons, including C, that the Property was available for rent.

Sometime in April 2018, D was contacted by K via an online messaging application, WeChat. K asked D whether he could assist her in looking for properties for rent in the Geylang area. Through their WeChat conversation, D understood that K wanted to lease a property using K's company and the company would, in turn, sub-let the property.

Following his WeChat conversation with K, D proceeded to look for rental properties in Geylang. D contacted C, and C informed him that the Property was available for lease, and that there would be a co-broking arrangement with B (in the event of a successful transaction). D agreed to the arrangement.

Sometime later, K met with C and D to view the Property ("**Viewing**"). This was the first time that both C and D had met with K in person. During the Viewing, D told C that K had a company which was in the business of sub-leasing properties, and K was the authorised representative of the company.

After the Viewing, C contacted B, and informed him that K was interested in leasing the Property at a monthly amount of S\$2,700 ("**Offer**"). B requested for the potential tenant's profile and was informed by C the client was a company and the client intended to sub-lease the Property to other sub-tenants.

C sent B a copy of a business profile search from the Accounting and Corporate Regulatory Authority's database ("**ACRA Profile**"), which he had earlier obtained from D. The ACRA search showed that the potential client was a company (the "**Company**").

Despite having obtained the Company's ACRA Profile, B, C and D (collectively the "**Respondents**") did not verify whether K was registered as a shareholder or director of the Company, as reflected in the ACRA Profile. K was neither a shareholder nor a director of the Company.

B conveyed the Offer to Mr. L following B's conversation with C. Mr. L subsequently informed B that the owner agreed to accept the Offer, subject to the condition that the sub-tenants were of legal status and did not engage in illegal activities. Mr. L also informed B to prepare the tenancy agreement ("**TA**") for execution.

In or around mid-May 2018, the Respondents met K at the Property for the TA to be executed by the Company. This was the first time B met D and K.

During the signing of the TA, the Respondents simply assumed that K was authorised to represent the Company in the leasing of the Property because K had said that her son was a shareholder of the Company, she possessed the Company's company stamp, and she supposedly was able to sign for the Company's cheques.

K was not the Company's director or shareholder. She did not have any form of authorisation from the Company to represent the Company in the execution of the TA and/or to lease properties on its behalf. However, the Respondents did not take any reasonable steps to verify whether K was authorised to execute the TA on the Company's behalf and allowed K to execute the TA on behalf of the Company.

Thereafter, in or around late 2018, a police raid was carried out on the Property. It was discovered that two female Chinese nationals on social visit passes had provided paid sexual services at the Property.

Charge

The Respondents each faced the following charge:

Charge

For failing to take reasonable steps to verify that K was duly authorised to represent the Company in the leasing of the Property under paragraph 5(1) of the Code of Ethics and Professional Client Care.

Outcome

Pursuant to a plea bargain, the Respondents pleaded guilty to the Charge. In sentencing, the Disciplinary Committee ("DC") noted that the Respondents were aware of their duty to obtain a letter of authority from K that she represented the Company, but were simply content to assume that K had the authority. The DC agreed with CEA that the professional duty of a salesperson to carry out identification checks diligently is a significant professional duty to protect the public interest.

The DC also noted that the Respondents had no malicious intent in their failings and no loss was suffered by the landlord or the Company as a result. The Respondents also faced a single charge each that did not involve a failure to carry out a statutory mandated check.

Accordingly, the DC imposed the following financial penalty and disciplinary order on each of the Respondents:

Charge: A financial penalty of \$ 2,000 and a suspension of 2 months.

Fixed costs of \$ 2,000 was also imposed on each of the Respondents.