
11 SEPTEMBER 2018

**CEA's Disciplinary Committee imposes financial penalty and
licensing condition on property agency**

The Council for Estate Agencies' (CEA) Disciplinary Committee sentenced HSR International Realtors Pte Ltd to a total financial penalty of S\$12,500 for two charges of breaches to CEA's [PG 01-14 - Practice Guidelines for Estate Agents and Salespersons Marketing Foreign Properties](#). HSR had failed to provide a written advisory message to two investors to draw their attention to the risks involved in purchasing foreign properties as required under the practice guidelines.

2. The Disciplinary Committee also attached a condition to HSR's licence to disallow it from transacting or marketing foreign properties for six months with effect from 10 September 2018.

3. In 2014, two investors each purchased a unit in the Manhattan Park Peninsular project in Bangkok, Thailand, through HSR. They each paid a refundable S\$3,000 booking fee¹ and executed the Sale and Purchase Agreement a few days later, paying 30 per cent of the purchase price to the developer. One of the investors paid S\$32,000 while the other paid approximately S\$20,327.

4. Before the execution of the Sale and Purchase agreements, HSR's property agents did not provide both investors with a written advisory message stating that they must conduct due diligence, drawing their attention that risks are involved for foreign property consumers, and that their transactions were

¹ The booking fee would be refunded when the buyer paid 30 per cent of the purchase price of a unit. In the event that the buyer failed to purchase the unit, the booking fee would be forfeited.

subject to foreign laws and to any change in policies and rules in Thailand. HSR was required to provide such written advisory as stated in CEA's practice guidelines.

5. In addition, HSR's property agents did not explain to the first investor, prior to the execution of the Sale and Purchase Agreement, whether any dispute resolution mechanism would apply in the event of a dispute in relation to the purchase of the unit, and if so, what the dispute resolution mechanism was. HSR also did not explain to the investor which jurisdiction such dispute would be resolved under. HSR was required to do so as stated in CEA's practice guidelines. However, HSR did not explain to the investor that the Sale and Purchase Agreement did not contain a dispute resolution mechanism or a jurisdiction for the resolution of disputes.

6. Subsequently, both investors were informed that the developer had abandoned the Manhattan project and they were offered units in other developments instead. The first investor rejected the offer as he felt that the locations of the other developments offered were not ideal and he would have to pay more for the replacement unit. The first investor failed to obtain a refund of the amount paid. The second investor accepted the offer, paying an additional \$5,000 for payment of 30 per cent of the replacement unit's purchase price.

CEA's charges against HSR International Realtors

7. HSR was convicted of two charges under paragraph 4(1) read with paragraph 4(2)(a) of the Code of Ethics and Professional Client Care (CEPCC), under the First Schedule of the Estate Agents (Estate Agency Work) Regulations 2010 of the Estate Agents Act (Cap. 95A), for breaching paragraph 16 of PG 01-14 - Practice Guidelines for Estate Agents and Salespersons Marketing Foreign Properties (PGMFP).

8. The relevant part of paragraph 16 of the PGMFP states that estate agents² appointed by the developer “shall provide a written advisory message to the consumers that they must conduct due diligence, drawing their attention that risks are involved for foreign property consumers and that the transaction is subject to foreign laws and to any change in policies and rules in the country where the property is located”. HSR had failed to comply with this requirement for both investors.

9. In sentencing, the Disciplinary Committee took into consideration one other charge under paragraph 4(1) read with 4(2)(a) of the CEPCC, for breach of paragraph 19 of the PGMFP. The relevant part of paragraph 19 of the PGMFP states that estate agents “shall explain to consumers the dispute resolution mechanism that will apply in the event of a dispute pertaining to the purchase. They shall inform the consumers under which jurisdiction the dispute will be resolved”. HSR had failed to comply with this requirement with one of the investors.

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

CEA’s regulatory framework

11. The duties, business activities, and conduct of property agencies and agents in Singapore are governed by the Estate Agents Act and its Regulations, which include the Code of Practice for Estate Agents 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.

12. Property agencies and agents who breach the abovementioned Codes are liable to face disciplinary action by a Disciplinary Committee. The Disciplinary Committee comprises members who are nominated from a

² 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.

[disciplinary panel](#) that includes practising solicitors and other professionals from the real estate industry.

Advice to consumers

13. Consumers should note that foreign property transactions can be a complex affair and carry additional risks not associated with local property transactions. They should thus exercise due diligence before entering into any agreement to buy foreign properties. In addition, consumers should exercise greater care and be more vigilant when purchasing foreign properties directly from foreign developers or when the intermediaries involved fall under the jurisdiction of another country.

14. Consumers should find out and understand material 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 conditions, currency exchange risks, etc. 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 involving property agents. For more information, please visit: www.cea.gov.sg

About the case

1. HSR was appointed by a developer, Euro-Thai Property Holding Co Ltd, to market units in the Manhattan Park Peninsular project located in Bangkok, Thailand, to purchasers in Singapore and Malaysia. The appointment was from 16 June 2014 to 15 December 2014.

2. For the marketing of units in Manhattan Park, HSR would be entitled to a commission for the sale of each unit. The commission rate would be dependent on the number of units sold:

Units sold	Commission rate* (% of selling price)
1 to 10	5%
11 to 20	5.5%
21 or more	6%

*Net of all discounts and service tax

3. CEA's charges were in respect of the following two transactions.

- a) On 13 July 2014, an investor attended a foreign property marketing seminar conducted by HSR. He decided to purchase a unit in Manhattan Park. He proceeded to pay a refundable S\$3,000 booking fee and a HSR property agent assisted him to fill in the booking form. On 25 July 2014, the investor transferred S\$32,000, equivalent to 30 per cent of the unit's purchase price, to the developer. He also signed the Sale and Purchase Agreement for the unit. For the sale of the unit, HSR received a commission of approximately S\$4,335.89 from the developer.
- b) In August 2014, another investor approached a HSR property agent and obtained information about Manhattan Park. On 8 August 2014, he decided to purchase a unit. He paid a refundable booking fee of

\$3,000 and filled in the booking form. On 18 August 2014, he signed the Sale and Purchase Agreement for the unit and paid the developer approximately S\$20,327, equivalent to 30 per cent of the purchase price. For the sale of the unit, HSR received a commission of approximately S\$2,926.99 from the developer.

4. Between October 2014 and February 2015, the first investor travelled twice to Bangkok to visit the site of the Manhattan Park project, and observed that there was no construction being carried out. On the second occasion, the investor was told by the developer that construction would begin in April 2015.

5. However, when the investor travelled to Bangkok again in November 2015, he learnt from the developer that the Thai authorities had only allowed the construction of an apartment with 75 units instead of 195 units. Hence, the developer would be abandoning the Manhattan Park project. The investor was offered units in other developments that were under construction. He did not accept these as he felt that the locations were not ideal and he was required to pay more for a replacement unit. The investor requested for a refund, but was informed that the developer did not have the money and he would have to wait for three to four years for a refund. The investor approached HSR for assistance to resolve the matter, but did not receive any assistance from HSR.

6. In April 2016, the second investor was informed by a HSR property agent that the Manhattan Park project was abandoned. He was also offered units in another project located in Bangkok. He decided to take up the offer and paid an additional S\$5,000 for payment of 30 per cent of the purchase price for the replacement unit.

7. At all material times, HSR was required to comply with PG 01-14 - Practice Guidelines for Estate Agents and Salespersons Marketing Foreign Properties (PGMFP). According to the PGMFP, estate agents appointed by the developer shall provide a written advisory message to consumers that they must conduct due diligence, drawing their attention that risks are involved for foreign property consumers, and that the transaction is subject to foreign laws

and to any change in policies and rules in the country where the property is located.

8. However, prior to the investors' payment of the booking fee and 30 per cent of the purchase price, and prior to their signing of the Sale and Purchase Agreement, HSR's agents did not provide the investors with the written advisory message.

9. HSR's property agents also did not explain to the first investor, prior to his payment of the booking fee and 30 per cent of the purchase price, and prior to his execution of the Sale and Purchase Agreement, whether there was a dispute resolution mechanism that would apply in the event of a dispute in relation to the purchase of the unit, and if so, what the dispute resolution mechanism was, or the jurisdiction any such dispute would be resolved under. HSR did not explain to the investor that the Sale and Purchase Agreement did not contain a dispute resolution mechanism or a jurisdiction for the resolution of disputes. HSR was required to provide such explanation under the PGMFP.

10. CEA's Disciplinary Committee imposed on HSR a total financial penalty of S\$12,500 for the two charges, and a six-month condition attached to HSR's licence to disallow it from transacting or marketing foreign properties with effect from 10 September 2018. In sentencing HSR, the Disciplinary Committee took into consideration one other charge.