
6 December 2017

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

The Council for Estate Agencies' (CEA) Disciplinary Committee sentenced Dennis Wee Realty Pte Ltd (DWR) to a total financial penalty of S\$66,000 for six charges of failing to provide a written advisory message to six sets of investors to draw their attention to the risks involved in purchasing foreign properties.

2. The Disciplinary Committee also attached a condition to DWR's licence that it is not allowed to transact or market foreign properties for 12 months with effect from 24 November 2017.

3. This is the largest fine meted out so far to a property agency for failing to abide by regulations related to estate agency work involving foreign properties. This is also the second case in which an agency has been prosecuted for failing to provide a written advisory message to investors to draw their attention to the risks involved in purchasing foreign properties.

4. In 2014, the six sets of investors purchased a total of 18 units in two hotel developments in Lymm and Knutsford in the United Kingdom (UK) through DWR. Subsequently, they made full payments totalling £1,641,000 (approximately S\$3,374,400) to the UK developers. In early 2015, the developers entered into administration and the investors did not receive the amounts that were promised to them as investment returns.

CEA's charges against Dennis Wee Realty

5. DWR was convicted of a total of six charges under paragraph 16 of the [Practice Guidelines](#) for Estate Agents and Salespersons Marketing Foreign Properties (PGMFP), issued on 14 March 2014, read with paragraphs 4(1) and 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) (Act).

6. The relevant part of paragraph 16 of the PGMFP states that estate agents¹ 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 changes in policies and rules in the country where the property is located”.

7. The relevant part of paragraphs 4(1) and 4(2)(a) of the CEPCC states that “estate agents and salespersons must perform their work in accordance with applicable laws and must not perform estate agency work unless they have the relevant knowledge to perform the work that they are engaged to perform, which means, among other things, that estate agents and salespersons must be fully conversant and comply with the Act, including the CEPCC and in the case of estate agents, the Code of Practice for Estate Agents, and the policies, practice circulars and guidelines of the CEA”.

8. In sentencing DWR, the Committee took 12 other charges into account. Nine charges were for contravening paragraph 12(4)(a) of the CEPCC. The relevant part of the paragraph states that “estate agents and salespersons must not cause or allow to be made any advertisement that contains any offer, proposal, statement, representation, claim or information that is inaccurate, false or misleading.” The other

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.

three were similar charges mentioned in paragraph 5 although in respect of different investors.

About the case

9. Between April 2014 to September 2014, DWR conducted seminars in Singapore to market and sell the Ibis Budget Hotel located in Lymm and/or Ibis Budget Hotel located in Knutsford, Cheshire. DWR had exclusive rights to sell these UK properties in Singapore. A unit in the Lymm Project was sold for £94,500 (approximately S\$194,320) while a unit in the Knutsford Project was sold for £82,500 (approximately S\$169,645).

10. To invite members of the public to its seminars, DWR placed advertisements in *The Straits Times* over four weekends between 24 May 2014 and 15 June 2014 to publicise the seminars that were either held over the same weekend or on the same day as the advertisement. DWR made false representations in their advertisements such as “*Meet the developer*” and other claims. This was despite the fact that DWR had known that the developers would not be attending the seminars.

11. Between June 2014 and October 2014, six sets of investors, including one who acted for his company, bought a total of 13 units in the Lymm Project and five units in the Knutsford Project through DWR. They paid a total of £1,641,000 (approximately S\$3,374,400) to the UK developers - Hotel Options (Lymm) Limited and Hotel Options (Knutsford) Limited. The sum comprised the booking fee and the full payment of the units.

12. Four of the six sets of investors had attended the seminars. At the seminars, DWR’s agents informed the investors of the returns that each investor would be entitled to for investing in the hotel projects. The investors would receive annual returns ranging from eight to 12 per cent for the first three years following their purchase. After which, they would receive a capital uplift on the purchase price ranging from nine to 20 per cent with a guarantee by the developers to buy the property back from the investors at the end of the three years.

13. After the seminars, the investors bought hotel units of both projects on the same day or shortly after. Five of the six sets of investors had purchased multiple units, with one investor buying as many as six units - four in the Lymm Project and two in the Knutsford Project. For three of the investors who bought six units, four units, and three units respectively, these were carried out in several transactions over an extended period of time.

14. Another two sets of investors did not attend the seminars but bought units in the two projects after being assisted by DWR's property agents. One bought a unit in the Lymm Project while the other purchased two units in the same project under his company's name. They were also promised similar investment returns as the rest of the investors.

15. Throughout the property marketing process, DWR's property agents did not provide the investors with a written advisory message stating that the investors must conduct due diligence. They did not highlight to the investors the risks that are involved for consumers buying foreign property, and that the transaction is subject to foreign laws and to any change in policies and rules in the UK.

16. Investigations revealed that DWR's agents had facilitated three other sets of investors to purchase three units respectively in the Lymm Project at a total of £283,500 (approximately S\$582,960).

17. The six sets of investors received monthly returns for periods ranging from one month to six months before payment ceased. Subsequently in early 2015, Hotel Options entered into administration in the UK. To date, the investors have not been paid the remaining guaranteed annual monthly returns and the capital uplift on the purchase price that they were promised.

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

CEA's regulatory framework

19. 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.

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

Advice to consumers

21. 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.

22. 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.

ABOUT THE CASE

1. In 2014, Dennis Wee Realty (DWR) entered into an agreement with Shepherd Cox Limited to market and sell Hotel Options (Lymm) Limited's Ibis Budget Hotel located in Lymm, UK and Hotel Options (Knutsford) Limited's Ibis Budget Hotel located in Knutsford, Cheshire, United Kingdom exclusively in Singapore. Shepherd Cox Limited was the authorised marketing agent of the Hotel Options Projects.

2. For the marketing of units in the Hotel Options Projects, DWR would be contractually entitled to receive a commission of 10 per cent of the purchase price for each unit sold in both projects.

3. Between April 2014 and September 2014, DWR conducted seminars to market the Lymm Project and/or Knutsford Project. Between 24 May and 15 June 2014 over four weekends, DWR ran nine advertisements in *The Straits Times* to publicise the seminars on the Hotel Options Projects. The seminars were held at the Conrad Centennial Singapore on the same day, the following day, or over the weekend when the advertisement was published.

4. DWR's advertisements included false representations that the attendees of the seminars would be able to "Meet the developer" of the "Ibis Budget" projects, and/or that "All information and details are provided by developer" and that the source is "Shepherd Cox", thereby suggesting that Shepherd Cox was the developer when in fact, it was the developers' marketing agent. The actual developers were not present at the seminars.

5. A total of nine sets of investors bought 21 units in the two hotel developments - 16 units in the Lymm Project and five units at the Knutsford Project through DWR at a purchase price of £94,500 (approximately S\$194,320) and £82,500 (approximately S\$169,645) respectively.

6. Details of the transactions involving the nine sets of investors are set out below:
- a. One investor bought four units in the Lymm Project and two units in the Knutsford Project at a total cost of £543,000 (approximately S\$1,116,570). On 1 June 2014, he attended one of the seminars and signed the booking forms for two units in the Knutsford Project. On 7 June 2014, he attended another seminar and bought two units in the Lymm Project on the same day. Subsequently, on 12 September 2014, the investor received a call from the property agent who had sold him the units in June and he agreed to purchase two more units in the Lymm Project.
 - b. The second set of investors bought four units - three in the Lymm Project and one in the Knutsford Project at £\$366,000 (approximately S\$752,605). One of the investors attended a seminar on 7 June 2014. After the seminar, the set of investors bought two units in the Lymm Project. Sometime in September 2014, the property agent who facilitated the investors' purchase in June contacted them and they decided to buy another unit in the Lymm Project and one unit in the Knutsford Project.
 - c. The third investor bought three units, two in the Knutsford Project and one in the Lymm Project at £\$259,500 (approximately S\$533,610). He attended one of the seminars in April 2014 and decided to purchase a unit in the Lymm Project. He made payment on 7 May 2014. On 19 July 2014, the investor bought another two units in the Knutsford project.
 - d. The fourth investor bought two units in the Lymm Project sometime in 2014 after attending one of the seminars at £\$189,000 (approximately S\$388,641).
 - e. The fifth set of investors bought a unit in the Lymm Project on or around 18 October 2014 at £\$94,500 (approximately S\$194,320).

- f. The sixth investor purchased two units in the Lymm Project under his company's name on 1 August 2014 at £\$189,000 (approximately S\$388,641).
- g. The seventh investor attended one of the seminars held by DWR on 7 June 2014. He decided to purchase a unit in the Lymm Project at the seminar at £\$94,500 (approximately S\$194,320).
- h. The eighth set of investors purchased a unit in the Lymm Project on 11 July 2014 at £\$94,500 (approximately S\$194,320).
- i. The ninth investor purchased a unit in the Lymm Project in June 2014 at £\$94,500 (approximately S\$194,320).

7. CEA's charges against DWR were in respect of the above transactions. DWR's property agents assisted the investors with their bookings. They informed the investors that they would receive annual returns ranging from eight to 12 per cent for the first three years following their purchase. After which, they would receive a capital uplift on the purchase price ranging from nine to 20 per cent with a guarantee by the developers to buy the property back from the investors at the end of the three years.

8. DWR was contractually entitled to receive commission from the developers amounting to 10 per cent of the units sold, i.e. £192,450 (approximately S\$395,700).

9. In early 2015, both developers of the Hotel Options Projects had entered into administration in the UK. To date, the investors have not been paid the remaining guaranteed annual monthly returns and the capital uplift on the purchase price that they were promised.

10. At all material times, DWR was required to comply with the 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.

11. However, throughout the property marketing process, DWR's agents did not provide the 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 the transaction is subject to foreign laws and to any changes in policies and rules in the UK.

12. DWR also did not comply with CEA's Code of Ethics and Professional Client Care as they had made false representations in the advertisements that it placed in The Straits Times, saying that the developers would be attending the seminars when they were not.

13. CEA's Disciplinary Committee imposed on DWR to a total financial penalty of S\$66,000 for the six charges, and a 12-month condition attached to DWR's licence that it is not allowed to transact or market foreign properties with effect from 24 November 2017. In sentencing DWR, the Committee took into consideration twelve other charges.