

S/N 9/2015 – Advertisement Containing a False Representation and Failing to Take Reasonable Care when Preparing Letter of Intent for Lease of Client’s Property

Facts of Case

The Respondent was engaged by the landlord to lease a terrace house (the “**Property**”) owned by the landlord (the “**landlord client**”) at the material time. At all material times, the Respondent was aware that the Property was zoned for residential use only.

As such, the Respondent put up, amongst others, two advertisements in the Straits Times Classified Section for the lease of the Property under the category “Shop Space for Rent” on 13 January 2012 and 14 January 2012 respectively (the “**Advertisements**”).

The eventual tenant (the “**tenant**”) saw the Advertisements and contacted the Respondent. The tenant intended to and the Respondent knew that the tenant intended to lease the Property for commercial purposes (i.e. to run its health and fitness business).

After negotiations with the Respondent and the landlord, the tenant leased the Property from the landlord for 36 months from 15 March 2012 at a monthly rental of \$7,500 to run its health and fitness business. To close this lease transaction, the Respondent had, amongst others, prepared a Letter of Intent entitled “LETTER OF INTENT (INDUSTRIAL/COMMERCIAL)” (the “**LOI**”).

As the Property was zoned for residential use only, when officers from the Urban Redevelopment Authority (“**URA**”) subsequently inspected the Property, the tenant was told to cease business operations and leave the Property by 31 January 2013. Accordingly, the tenant had to look for alternative premises to run its business.

By then, the tenant had already incurred renovation expenses of more than \$65,000 to retrofit the Property to suit their business needs.

As such, the tenant suffered much loss and inconvenience as a result of the Respondent’s estate agency work in closing the lease transaction between the tenant and her landlord client which included but not limited to putting up the Advertisements and preparing the LOI for the tenant.

Charges

The Respondent faced the following 5 charges:

Charge 1

For causing to be made an advertisement that contains a representation that is false by advertising the lease of the Property under the category of “Shop Space for Rent” when the Property was zoned for residential use only on 13 January 2012 (1st advertisement), in contravention of paragraph 12(4)(a) of the Code of Ethics and Professional Client Care.

Charge 2 (Proceeded)

For causing to be made an advertisement that contains a representation that is false by advertising the lease of the Property under the category of “Shop Space for Rent” when the Property was zoned for residential use only on 14 January 2012 (2nd advertisement), in contravention of paragraph 12(4)(a) of the Code of Ethics and Professional Client Care.

Note: This case was referred to a CEA Disciplinary Committee (DC) before the operationalisation of the Estate Agents (Amendment) Act 2020 on 30 July 2021. With the Act amendments, the maximum financial penalty for disciplinary breaches has been raised and a DC can impose a higher financial penalty on errant offenders.

Charge 3 (Proceeded)

For failing to take reasonable care when the Respondent prepared a Letter of Intent entitled “LETTER OF INTENT (INDUSTRIAL/COMMERCIAL)” for the tenant’s intended lease of the Property to conduct their business when the Property was zoned for residential use only, in contravention of paragraph 5(1) of the Code of Ethics and Professional Client Care.

Charge 4

For failing to take reasonable care when the Respondent, acting on her landlord client’s behalf, sent a draft tenancy agreement entitled “TENANCY AGREEMENT (COMMERCIAL/INDUSTRIAL)” to the tenant which indicated that the Property was permitted for commercial use when, in fact, the Property was zoned for residential use only, in contravention of paragraph 5(1) of the Code of Ethics and Professional Client Care.

Charge 5

For failing to do all reasonable acts to ensure that the tenant did not infringe any law when the Respondent failed to take all reasonable care to ensure that the tenant did not infringe the Planning Act (Cap 232) when the Respondent advised the tenant to apply for a Home Office Licence from the URA in respect of the Property stating their business as “Private Physiotherapy” when the Respondent knew that it was a health fitness centre, in contravention of paragraph 5(1) read with paragraph 5(2)(b) of the Code of Ethics and Professional Client Care.

Outcome

Pursuant to a plea bargain, the Respondent pleaded guilty to Charges 2 and 3 while Charges 1, 4 and 5 were taken into consideration for sentencing purposes.

The Disciplinary Committee imposed the following financial penalties and disciplinary orders against the Respondent: -

Charge 2: A financial penalty of \$1,500 and a suspension of 3 months

Charge 3: A financial penalty of \$3,000 and a suspension of 5 months

The suspensions were ordered to run concurrently and fixed costs of \$1,000 were imposed on the Respondent.