

Act 2001, an agent is limited in what they can do and say. More information on Duty of Disclosure available at

<http://www.fairtrading.nsw.gov.au/Property_agents_and_managers/Rules_of_conduct/Conduct_requirements/Duty_of_disclosure.html> and section 10 of the regulations <http://www.legislation.nsw.gov.au/fullhtml/inforce/subordleg+490+2003+FIRST+0+N>

Notifying managing agent of appointment to sell residential property

If an agent is appointed to sell residential property that is tenanted, the agent must immediately give written notice of the appointment to any agent responsible for managing the property.

A minimum of 14 days written notice must be given to the tenant prior to the first inspection. If a tenant is in occupation, refer to the *Residential Tenancies Act 2010* (sections 53 and 55) and the residential tenancy agreement (the lease) for details regarding inspection access. See also the section 'Important Information' in these notes.

Prohibition against listing residential or rural land subject to sole or exclusive agency

An agent must not knowingly enter into a selling agency agreement with a principal in respect of the sale or purchase of residential or rural property at a time when the property is or is to be the subject of a sole or exclusive agency agreement with another agent. The agent should ascertain from the principal whether there are any current sole or exclusive agency agreements with other agents. If possible, ask the principal to show you copies of any termination notices that they have issued.

THE AGENCY AGREEMENT FORM

Principal

Where there is more than one principal the agreement must be signed for and on behalf of all principals. It is advisable from a risk management perspective to obtain the signatures of all parties concerned. The full names of each principal are to be inserted in the agreement.

If the principal is a corporation then the agreement must be signed in accordance with the Corporations Act 2001. If the Corporation has a common seal it should be inserted in the signatory section of the agreement and be accompanied by the signature of at least one director and the secretary. If the company has no common seal then if there are two or more directors the agreement must have the signatures of at least two directors and or secretary together with the words "Executed for and on behalf of ABC Pty Ltd (ACN 1234) in accordance with Section 127(1) of the Corporations Act 2001". Where there is only a sole director then you insert the above words and after the signature insert the words "Sole Director/Secretary".

Licensee

The licensee is the legal entity under which the real estate business (agency) operates. If an individual is carrying on business in his/her own name (with or without a trade/business name) – it is the licence number of that person which is recorded in this section. If a corporation/company is carrying on business (with or without a trade/business name) – it is the licence number on the Corporation Licence which is recorded. If there are two or more persons/corporations carrying on business in partnership (with or without a trade/business name) – it is the licence number of each person/corporation in the partnership which is recorded.

Licensee's estimate of selling price

The agent's estimate of the selling price must be the agent's true opinion. It can be expressed as one single amount or a price range. Where GST applies to the property the agent's opinion is based on a **GST inclusive** basis. The Agent **MUST** keep on file evidence to show how the estimate was determined. For more information go to http://www.fairtrading.nsw.gov.au/Property_agents_and_managers/Agency_responsibilities/Price_substantiation.html.

Prohibition on engaging in legal practice when not entitled

Only qualified legal practitioners are entitled to give advice on legal matters. Agents must not provide advice on the validity or otherwise of an agency agreement between a principal and an agent.

A. Agency appointment

The principal grants the agent exclusive selling rights until the expiry of the exclusive agency period. The agency then continues as an open (non-exclusive) agency. The open agency can be terminated by giving seven days' notice in writing by either the principal or the agent.

If the agency agreement is for residential property and the exclusive term exceeds 90 days, the principal is entitled to terminate the agreement by giving 30 days written notice to the agent at any time after the end of the first 90 days. This entitlement does not apply to an agency agreement for the sale of residential property where the contract for sale provides for the construction by the principal of a dwelling on the land such as in 'off the plan' sales'.

B. Price

In this section record the price the property is to be offered for sale.

C. Remuneration

The remuneration, (also referred to as commission or selling fee) can be charged as a flat fee, a percentage of the sale price, or a formula.

In respect of the agent's ESTIMATE of the sale price; if it is expressed as a single amount, the commission is also expressed as a single amount; if it is expressed as a price range, the commission is also be expressed as a price range.

D. Expenses and charges

In accordance with the terms and conditions of the agency agreement, the agent is entitled to be reimbursed for expenses, charges and fees on services as set out in Sections D and E.

A reimbursement is when the agent is compensated exactly for any amount incurred by the agent (such as advertising, bank fees, courier and 149 Certificate) and paid for by the agent out of the agent's funds. With such reimbursements, the agent deducts the input tax credit they are entitled to receive (assuming it is a taxable supply) and then adds the appropriate GST to the owner's charge.

Any expense invoiced directly to the owner (e.g. cleaning, repairs and maintenance) and paid by the agent out of funds held on behalf of the owner do not have any further GST added.

In order to complete the agreement the amount of an expense or charge such as advertising costs may need to be estimated. The agent claims the actual expenditure of the advertising

up to but not exceeding the upper limit as specified in section D of the agreement. In the case where there is an advertising schedule, include it as an annexure and specify when the amount is due and payable.

E. Other services

The terms of the agency agreement and circumstances will determine whether a particular amount forms part of the consideration for the supply of agency services, an expense or a reimbursement of costs. In this section the agent itemises all the services (if required) the Licensee will carry out and the specified fee (GST inclusive) or (NIL fee).

For example, the agent may charge a marketing levy or a fee to coordinate cleaning or refurbishment. If the charge forms part of the consideration for the services performed by the agent, GST will be payable by the agent on these amounts.

Take care specifying fees, charges and expenses and when they are due and payable. Consider the recovery of these fees in the context that you may not be successful in selling the property or the listing is withdrawn. Below is an example of a service fee for a marketing levy for section E of the agreement. The appropriate wording for when the fee is due and payable will vary to suit the individual circumstances.

Example

<i>Service</i>	<i>Amount (GST inclusive)</i>	<i>When due and payable</i>
Marketing levy	\$500	'within 7 days of signing the agreement' or 'at settlement or on withdrawal' or 'by account 30 days'

F. Advertising and promotion

This section relates to instructions on HOW the property is to be advertised or promoted. For instance, whether there will be a signboard, specific print and electronic media and open for inspection.

For example, in the case of an advertising campaign, write 'See Annexure 1 attached – Advertising Campaign.' Ensure that this advertising schedule specifies when the amount is due and payable and it is dated and signed by all parties.

G. Inspection of property

Record in this section access arrangements such as preferred days and times for inspections and tenant contact details.

H. Disclosure of rebates, discounts and commissions

An agent is not entitled to recover any expense in connection with a real estate transaction claimed under the agreement unless the agent has disclosed in the agency agreement that they may receive rebates, discounts or commissions in respect of those services e.g. advertising rebates. The source and estimated amount of them to the extent that the amount can reasonably be estimated must be specified in the agreement. If no rebates, discounts and commissions are received, write 'NIL' in each box.

Other disclosures

Note there are other disclosure requirements in respect of referring a principal or prospective buyer to service providers (Section 47) and acquiring a beneficial interest in any property that the agent has listed (Section 49). Download forms here:

http://www.fairtrading.nsw.gov.au/pdfs/About_us/Forms/psbasection47form.pdf

http://www.fairtrading.nsw.gov.au/pdfs/About_us/Forms/psbasection49form.pdf

More information on Duty of Disclosure available at:

http://www.fairtrading.nsw.gov.au/Property_agents_and_managers/Rules_of_conduct/Conduct_requirements/Duty_of_disclosure.html

Cooling-off period

If the agreement is for the sale of residential property or rural land, the principal (client) has a cooling-off period. The cooling-off period commences when the client signs (or where there is more than one client, when the last client signs) the agreement and ends at 5 pm on the next day that is a business day or a Saturday.

The agent may extend this cooling off period in the agreement or in writing before the end of the cooling off period. The client can waive their cooling-off right when signing the agency agreement by signing a separate waiver form, download here

http://www.fairtrading.nsw.gov.au/pdfs/About_us/Forms/psbasection59form.pdf

Waiver of cooling-off rights

There is no cooling-off period if:

- (a) at least 1 business day before the client signs the agency agreement the agent provides the client with a copy of the proposed agency agreement together with (in the case of an agreement that relates to residential land) a copy of the approved consumer fact sheet, 'Agency Agreements for the sale of residential property', <http://www.fairtrading.nsw.gov.au/Factsheet_print/Tenants_and_home_owners/Selling_property/Using_an_agent/FTR32_Agency_agreements.pdf> and
- (b) before the client signs the agency agreement the client signs the waiver form.

EAC MEMBERS can obtain compliance advice and practice support on 1300 137 161