

Case #4: Trust Me, The Price is Right!

Client Darren contacted REALTOR® Bruce to list a vacant lot. Client Darren said he had heard that similar lots in the vicinity had sold for about \$150,000 and thought he should be able to get a similar price. REALTOR® Bruce stressed some minor disadvantages in location and grade of the lot and said that the market for vacant lots was sluggish. He suggested listing at a price of \$97,500 and the client agreed.

In two weeks, REALTOR® Bruce came to Client Darren with an offer at the listed price of \$97,500. The client raised some questions about it, pointing out that since the offer had come in just two weeks after the property had been placed on the market, which could be an indication that the lot was worth closer to \$150,000 than \$97,500. REALTOR® Bruce strongly urged him to accept the offer, stating that because of the sluggish market, another offer might not develop for months and that the offer in hand simply vindicated his own judgment as to pricing the lot. Client Darren finally agreed, and the sale was made to Buyer Carl.

Two months later, Client Darren discovered the lot was no longer owned by Buyer Carl but had been purchased by Buyer Don for \$165,000. He investigated and found that Buyer Carl was a brother-in-law of REALTOR® Bruce, and that Buyer Carl had acted on behalf of REALTOR® Bruce in buying the property for \$97,500.

Client Darren outlined the facts in a complaint to the Association of REALTORS®, charging REALTOR® Bruce with collusion in betrayal of a client's confidence and interests, and with failing to disclose that he was buying the property on his own behalf.

At a hearing before a panel of the Association's Professional Standards Committee, REALTOR® Bruce's defense was that in his observation of real estate transactions there can be two legitimate prices of property—the price that a seller is willing to take in order to liquidate his investment, and the price that a buyer is willing to pay to acquire a property in which he is particularly interested. His position was that he saw no harm in bringing about a transaction to his own advantage in which the seller received a price that he was willing to take, and the buyer paid a price that he was willing to pay.

The complaint only cited a possible violation of Article 1, no other Articles were added by Grievance.

What verdict do you think the hearing panel came to; IN violation or NOT IN violation of Article 1?

Should any other Articles of the Code be applied to their decision?

Case Study #4 ANSWER:

The Hearing Panel concluded that REALTOR® Bruce had deceitfully used the guise of rendering professional service to a client in acting as a speculator; that he had been unfaithful to the most basic principles of agency and allegiance to his client's interest; and that he had violated Articles 1 and 4 of the Code of Ethics.

