

DISCIPLINARY News

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THE COMPLAINT PROCESS

The Nova Scotia Real Estate Commission (the Commission) is responsible for the administration of the Real Estate Trading Act and our Bylaw, part of which includes receiving complaints about a brokerage or a licensee and investigating and taking disciplinary action when necessary.

You will notice as you read on that while two licensees may be charged with the same violation, the penalties may be different. This is because the Commission assesses each case individually as each investigation is distinct and often complicated in its own way.

Each case also goes through several levels of procedure. When a complaint is made that warrants a full investigation, the following steps are taken:

1. The Registrar initiates an investigation. He may also do so on his own should he deem it necessary.
2. Notification that an investigation has been initiated is sent to the respondent licensee and corresponding broker, if applicable, along with a copy of the complaint and directions on how to reply.
3. The Commission's Compliance Investigator requests statements and supporting evidence from all parties involved. Other parties involved with the case, including other licensees, may also be contacted for statements or information if required.
4. Upon its completion, the investigation report is turned over to the Registrar for his decision.
5. The Registrar's decision as well as the full brokerage transaction file and email correspondence pertaining to the investigation is reviewed by the Complaints Review Committee (CRC), who may accept, reject or make recommendations to amend the decision to:
 - a. recommend no charges;
 - b. recommend charges through a settlement agreement. If the licensee accepts the proposed settlement agreement, they must satisfy the imposed penalty. If the licensee does not agree with the proposed settlement agreement, the matter is referred to the Discipline Committee.
 - c. refer the matter to the Discipline Committee.

The CRC or the Registrar may refer the matter to the Discipline Committee, where a panel is appointed and a formal hearing will make a final decision on the matter.

IN THIS ISSUE

- 1 The Complaint Process
- 2 Brokerage Inspections
- 2 Inspection Trends
- 3 Investigations



WHAT IS THE COMPLAINTS REVIEW COMMITTEE?

The Complaints Review Committee (CRC) is comprised of industry and public volunteers from across the province.

The role of the CRC is to:

- review all of the Registrar's complaint decisions;
- accept, reject or make recommendations to amend the decisions;
- make recommendations to the Commission Board of Directors on conduct, trade practices and standards of business practice; and
- hear requests for review of the Registrar's decision to dismiss a complaint.

BROKERAGE INSPECTIONS

Every year, the Commission's Compliance Inspectors conduct trust account inspections (formerly known as *audits*) on each brokerage in Nova Scotia. In addition to trust inspections, each brokerage is subject to a full brokerage inspection every three years which includes a review of the brokerage transaction files and trust record keeping. Inspection results fall into one of three categories: 'very good', 'good', and 'needs improvement'. Any brokerage that receives three consecutive ratings of 'needs improvement' is subject to a \$500 fine and the penalty increases if the brokerage receives a fourth or fifth consecutive rating of 'needs improvement'.

Three consecutive needs-improvement inspections:

One broker was fined \$500 for three consecutive 'needs improvement' on trust inspections and required to retake the trust account portion of the broker's licensing course.

Four consecutive needs-improvement inspections:

In [MONTH] 2015, Robert Harris of Coastal Winds Realty was fined \$1000 for four consecutive 'needs improvement' results on trust inspections.

REMINDERS & INSPECTION TRENDS

New Requirement for E-Signatures

Last year, the Commission released a bulletin to the industry on the use of e-signatures in facilitating agreements and service contracts. Since its release, we have received some questions and comments on the policy and its practicality.

After several constructive discussions with licensees, the Commission has amended its policy on document retention with regards to electronic signatures. Brokerages are no longer required to maintain physical copies of certificates of authenticity (confirmations including the service name, a time stamp and the confirmation number to authenticate the signature) in brokerage transaction files.

However, in lieu of the physical copies, these confirmation documents must be saved electronically at the brokerage should the Commission require a copy for inspection or investigative purposes. Be mindful that electronic signature services will evolve and if a service becomes obsolete the Commission will still require access to confirmation documents.

The Commission would also like to remind licensees that the Commission does not promote, prefer or otherwise endorse a particular brand of electronic signature software. The broker is directly responsible for verifying that any electronic signature service used to produce signatures on agreements creates legally binding brokerage/service agreements and agreements of purchase and sale for real estate. Failure to do so could result in disciplinary action. The Commission recommends that brokers seek legal advice as part of this verification process.

Follow-up: What is Trading in Real Estate?

We received a number of great questions on an article in our January Special Edition Newsletter entitled, "What is Considered Trading in Real Estate?" (*January 2016, Pg 4*) and would like to share a few and their responses.

Q: The article states that facilitating the sale of new construction on land already owned by the buyer or mini homes without land is not a trade in real estate. Does this mean that all mini homes are not considered a trade in real estate?

A: If the mini home is to remain on the land and the buyer will be leasing the land in the park or purchasing the land as well then yes, that is considered a trade in real estate. If the mini home will be removed for various reasons (it's old or doesn't comply with park regulations) then no, this is not a trade in real estate.

Q: Mobile hair salons were listed as an example of what is not considered a trade in real estate. Why is this?

A: The sale of a salon must be in respect to the property, not the contents therein. Facilitating the sale of hair salon contents (products, equipment, furnishings) does not equate to the sale of land. Licensees facilitating the sale of a business must ensure that they are facilitating the lease of the property, otherwise it is not considered a trade in real estate.

Licensees Acting Outside of their Licence Capacity

As outlined in sections 704 and 705 of the Commission Bylaw licensees with a broker licence have very different roles and responsibilities than those with a managing associate broker, associate broker or salesperson licence.

For instance, supervisory roles over other licensees including offering advice to licensees on trades/real estate, reviewing transaction files and approving advertising are restricted to those with either a broker or managing associate broker licence.

The Commission has seen several cases over the last few years where licensees have assumed responsibility for work that is outlined specifically for a different licence class. We would like to remind licensees that doing so may result in disciplinary action.

Brokers may assign their responsibilities to another managing associate broker in their office as they see fit, however that direction must be put in writing and the Commission must be notified when doing so.

INVESTIGATIONS

The following cases are provided as learning opportunities for the industry. These cases do not cover every matter investigated by the Commission, but are representative of the more serious and consistent issues. Disciplinary actions are distributed to licensees in accordance with [Commission Bylaw 839](#).

CASE #1 • POOR PAPERWORK (2014–23)

A leasing company was engaged with a licensee to find a commercial tenant for a long-term lease. The licensee found a suitable tenant who was interested in the space and made arrangements to move forward with the transaction, however the deal did not close as the prospective tenant had an unexpected financial setback in their business.

The leasing company then found another tenant through a different licensee. They asserted that the initial licensee should be obligated to return their remuneration, as the deal fell. The landlord was not prepared to pay two separate remuneration payments.

The investigation did not support the claim that the initial licensee was obligated to return the remuneration paid for the failed transaction. However, it did identify several paperwork discrepancies with the initial licensee, such as:

- the licensee did not have a written fee agreement between the brokerage and the landlord;
- the licensee did not identify themselves or the brokerage on the offer to lease;
- the licensee did not inform his broker of the offer to lease until after it was already signed; and
- the licensee did not provide their brokerage with a signed designated agency agreement at the time the agency relationship was established with the tenant.

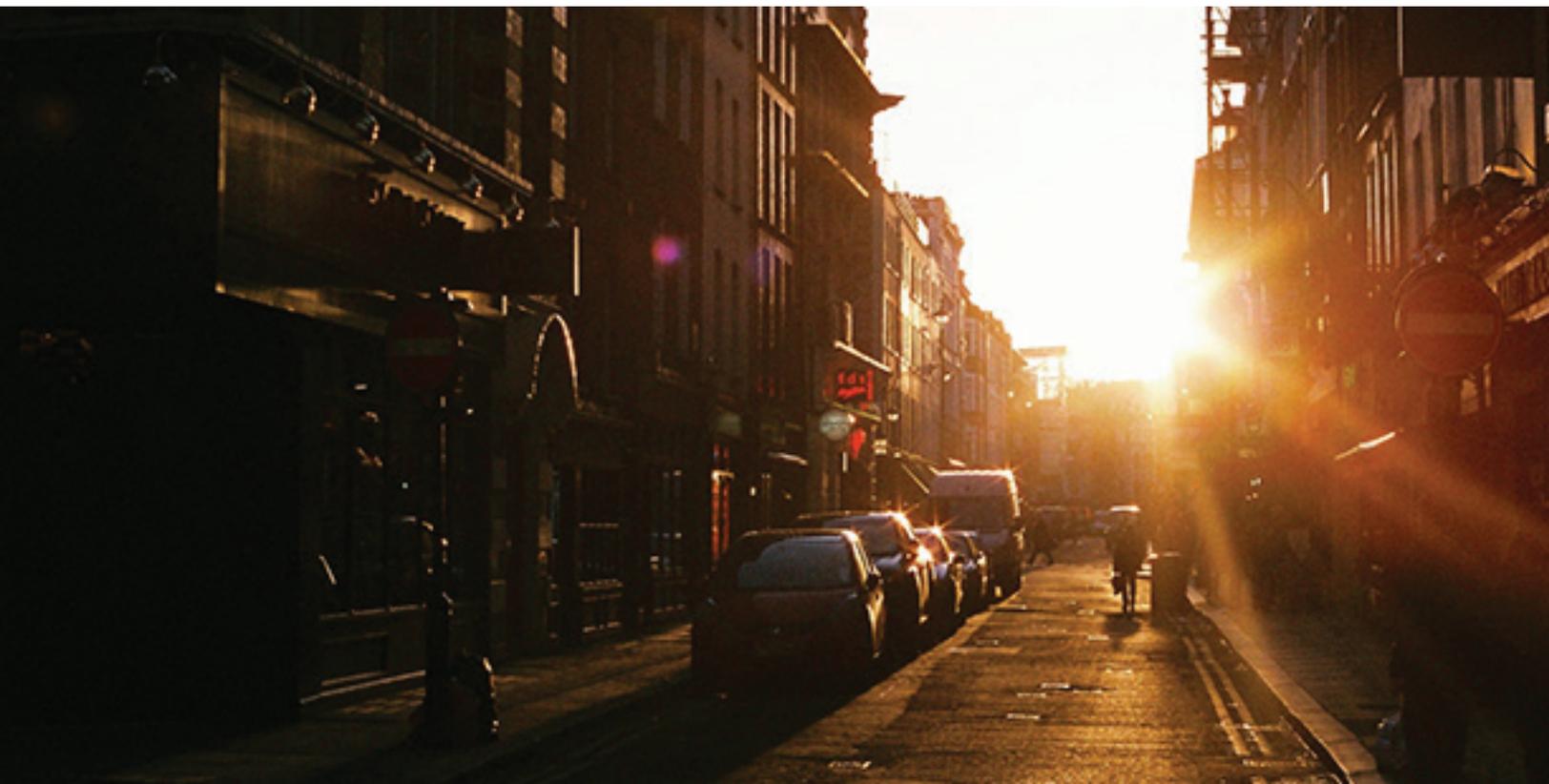
LESSONS LEARNED

It is the responsibility of the licensee to ensure that they have the proper paperwork signed, as applicable, and to keep their brokerage informed when an offer to lease comes in. Although the evidence in this case supports that the licensee treated the tenant as a client via verbal instruction, they did not have an agency agreement in place.

In **December 2015**, the licensee was charged with one violation of Bylaw 719(c) (\$400), one violation of Bylaw 702, Article 3 (\$400) and one violation of Bylaw 705(d) (\$400) for a total of \$1200 in fines.

The licensee was also cautioned for not using the Working with a REALTOR® brochure (now the Working with the Real Estate Industry form).

The broker was cautioned to closely supervise licensee activities and ensure they understand Bylaw requirements to the broker per Bylaw 703 and 704.



CASE #2 • ACTING OUTSIDE OF THE SCOPE OF REAL ESTATE

(2015-03) A licensee represented a recently separated couple selling their matrimonial property. One selling party alleged that the licensee blatantly stepped outside of the scope of their work by creating a *Separation Agreement*, for the purposes of the other seller obtaining financial assistance for the purchase of a new home. The complainant was unaware of the *Separation Agreement* until presented to them by the licensee they additionally claimed that the ordeal created undue stress and financial repercussions.

The investigation revealed that the licensee had in fact written a *Separation Agreement* for one party in the transaction which demonstrated that the licensee failed to protect and promote the interests of both her clients and did not treat both clients with equal fairness.

In **December 2015**, the licensee was charged with one violation of Bylaw 702, Article 2 (\$400).

Their broker was cautioned about their failure to responsibly supervise the licensees at their brokerage.

LESSONS LEARNED

When representing a couple in a transaction, a licensee must fully understand their fiduciary duties and recognize that requests from clients can create a potential conflict. There is an obligation to disclose all pertinent information to the other party in the transaction, as well as remain neutral when advising two parties on one side of the transaction.

Questions outside of normal selling/buying of real estate must be referred to the appropriate legal professionals. The licensee should have realized that the creation of such a form was well outside of the scope of their fiduciary duties, as well as showing bias to one party in the transaction. The licensee has duties to fully represent both parties, not to provide services on the side for only one of the parties in the transaction without the other's knowledge.

Licensees must not mislead their clients to falsely believe that they have expertise outside of the scope in real estate. Consumers must also be made aware of the potential implications when licensees performing duties outside of trading in real estate. For more information, see our recent article [***What is Considered Trading in Real Estate***](#) from our January newsletter.

CASE #3 • IMPROPER USE OF ELECTRONIC SIGNATURES (2014-28)

A client engaged a licensee in the sale of their property. On four separate occasions when completing mandatory forms, the licensee had the sellers "sign" real estate documents by using Adobe Acrobat to insert text boxes into electronic versions of real estate forms and typing in the seller's names in a script font.

The licensee claimed that on all four occasions it was inconvenient to locate a printer and scanner for the purposes of obtaining the seller's authentic signature(s).

As a result of the investigation, the evidence supported that an unsecured and unverifiable method of obtaining signatures was used by the licensee and that service did not provide the required certificate of authenticity to verify its legitimacy.

LESSONS LEARNED

The Nova Scotia Real Estate Commission does not promote, prefer or endorse a particular brand of electronic signature software, though it must be determined by the broker whether the tool used creates a legally binding contract. Read more on our electronic signature policy on page 2.

In **December 2015**, the seller's licensee was charged with one violation of Bylaw 703, Article 2 (\$500) and also received a letter of reprimand for violating Bylaw 702, Article 11.

The buyer's licensee, their broker and the broker of the seller's licensee were all cautioned for failing to identify that the signatures were not legitimate.

CASE #4 • IMPROPER HANDLING OF TRUST FUNDS (2015-09)

A buyer submitted a deposit for a condo unit and due to personal circumstances was not able to close the deal. The potential buyer had expected the deposit would remain in trust with the brokerage until the funds were mutually released. The broker, however, released funds to the seller's lawyer without the consent of all parties. The buyer was not contacted in regards to the deposit or release and it was not until the seller's lawyer discovered the error and that it was brought to the broker's, and the Commission's, attention.

The broker rationalized the decision to do so by indicating that at the time, there were many transactions taking place with the large property and the error went unnoticed. As a result of the investigation, it was found the funds had indeed been released in error and the Commission requested the return of the funds to the buyer's brokerage's trust account.

In December 2015, Timothy Frotten of Caldwell Banker Supercity Realty was charged with one violation of Bylaw 633(b)ii for releasing a deposit without the consent of all parties. The penalty was a fine of \$1000.

LESSONS LEARNED

In order for funds to be released both parties must agree in writing to release the funds. In addition, broker supervision must ensure the proper processes are in place for all transactions files to be conscientiously reviewed.

COMPLIANCE TEAM

For information on investigations, contact:
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902-468-3511 x303

Michelle McLeod, Compliance Investigator
mmcLeod@nsrec.ns.ca
902-468-3511 x312

For information on inspections, contact:
Mallory LeBlanc, Compliance Inspector
mleblanc@nsrec.ns.ca
902-468-3511 x308

Crystal Yeo, Compliance Inspector
cyeo@nsrec.ns.ca
902-468-3511 x306

Complaints must be in writing* and may be submitted by fax at 902-468-1016/800-390-1016 or by mail or email at:

Attention: Compliance
Nova Scotia Real Estate Commission
7 Scarfe Court, Suite 200
Dartmouth, NS, B3B 1W4

New address as of May 1, 2016,
601-1595 Bedford Highway, Bedford, NS, B4A 3Y4

compliance@nsrec.ns.ca

**For information on our complaint requirement visit the [Complaints section](#) of our website.*



Additional information on the complaint and discipline processes can be found on the Commission's website at www.nsrec.ns.ca

