



**Client authorisation must be obtained before
accepting preliminary deposit on behalf of a developer**

(17 August 2007) The Estate Agents Authority (EAA) reminds estate agency practitioners that when acting for a developer, they should not accept any money, whether described as a deposit or not, from a prospective purchaser without the developer's authorisation.

Lands Department's Consent Scheme provides that the amount of the preliminary deposit must be approximately 5% of the average price of the units put on sale. Similarly, if a practitioner is authorised by a developer client to accept preliminary deposits for the sale and purchase of uncompleted flats governed by the Consent Scheme, the amount of the deposit must be the same as the preliminary deposit payable to the developer referred to in the consent letter.

In other words, if the developer client has yet to fix the prices for the units, estate agency practitioners will not be able to determine the preliminary deposit amount and therefore, practitioners should not accept any deposit or "reservation fee".

EAA has been paying close attention to the practice of practitioners in the sales activities of first hand properties. In 2006, EAA issued a practice circular, Circular No. 06-05 (CR), providing guidelines on various aspects of such activities including price lists, deposits, authorisation for advertising, accuracy of advertisements and publication of sales information.

EAA will continue its compliance inspections and enforcement work to make sure practitioners comply with the law.

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