

The REALTOR®-Consumer Relationship

In Ontario, the real estate profession is governed by the *Real Estate and Business Brokers Act, 2002*, and Associated Regulations (REBBA 2002 or Act), administered by the Real Estate Council of Ontario (RECO). All Ontario REALTORS® are registered under the Act and governed by its provisions. REBBA 2002 is consumer protection legislation, regulating the conduct of real estate brokerages and their salespeople/brokers. The Act provides consumer protection in the form of deposit insurance and requires every salesperson/broker to carry errors & omission (E&O) insurance.

When you choose to use the services of a REALTOR®, it is important to understand that this individual works on behalf of a real estate brokerage, usually a company. The brokerage is operated by a Broker of Record, who has the ultimate responsibility for the employees registered with the brokerage. When you sign a contract, it is with the brokerage, not with the salesperson/broker employee.

The Act also requires that the brokerage (usually through its REALTORS®) explain the types of service alternatives available to consumers and the services the brokerage will be providing. The brokerage must document the relationship being created between the brokerage and the consumer, and submit it to the consumer for his/her approval and signature. The most common relationships are “client” and “customer”, but other options may be available in the marketplace.

Client

A “client” relationship creates the highest form of obligation for a REALTOR® to a consumer. The brokerage and its salespeople/brokers have a fiduciary (legal) relationship with the client and represent the interests of the client in a real estate transaction. The REALTOR® will establish this relationship with the use of a representation agreement, called a Listing Agreement with the seller and a Buyer Representation Agreement with the buyer. The agreement contains an explanation of the services the brokerage will be providing, the fee arrangement for those services, the obligations the client will have under the agreement, and the expiry date of the agreement.

Ensure that you have read and fully understand any such agreement before you sign the document.

Once a brokerage and a consumer enter into a client relationship, the brokerage must protect the interests of the client and do what is best for the client. A brokerage must strive for the benefit of the client and must not disclose a client’s confidential information to others. Under the Act, the brokerage must also make reasonable efforts to determine any material facts relating to the transaction that would be of interest to the client and must inform the client of those facts. Although they are representing the interests of their client, they must still treat all parties to the transaction with fairness, honesty, and integrity.

Customer

A buyer or seller may not wish to be under contract as a client with the brokerage but would rather be treated as a customer. A REALTOR® is obligated to treat every person in a real estate transaction with honesty, fairness, and integrity, but unlike a client, provides a customer with a restricted level of service. Services provided to a customer may include showing the property or properties, drafting the offer, presenting the offer, etc. Brokerages use a Customer Service Agreement to document the services they are providing to a buyer or seller customer.

Under the Act, the REALTOR® has disclosure obligations to a customer and must disclose material facts known to the brokerage that relate to the transaction.

What happens when...

Buyer(s) and the seller(s) are sometimes under contract with the same brokerage when properties are being shown or an offer is being contemplated. There can also be instances when there is more than one offer on a property and more than one buyer and seller are under a representation agreement with the same brokerage. This situation is referred to as multiple representation. Under the Act, the REALTORS® and their brokerage must make sure all buyers, sellers, and their REALTORS® confirm in writing that they

acknowledge, understand, and consent to the situation before their offer is made. REALTORS® typically use what is called a Confirmation of Co-operation and Representation form to document this situation.

In offer negotiations, nerves may become frayed, so if you have any questions when reference is made to multiple representation or multiple offers, please ask your REALTOR® for an explanation.

Critical information

REALTORS® are obligated to disclose facts that may affect a buying or selling decision. It may be difficult for a REALTOR® to judge what facts are important. They also may not be in a position to know a fact. You should communicate to your REALTOR® what information and facts about a property are important to you in making a buying or selling decision, and document this information to avoid any misunderstandings and/or unpleasant surprises.

Similarly, services that are important to you and are to be performed by the brokerage, or promises that have been made to you, should be documented in your contract with the brokerage and its salesperson/broker.

To ensure the best possible real estate experience, make sure all your questions are answered by your REALTOR®. You should read and understand every contract before you finalize it.

Please note that Federal legislation requires REALTORS® to verify the identity of sellers and buyers with whom they are working.

This brochure is for information only and is not a contract. For the purposes of this information, the term “seller” can be interpreted as “landlord” and “buyer” can mean “tenant”.

Acknowledgement by

(Names)

I/we have read, understand, and have received a copy of the *Working with a REALTOR® – The Agency Relationship* brochure:

Buyers

As buyer(s), I/we understand that:

(Name of Brokerage)

Initial one: _____
Is representing my interests, to be documented in a separate written agency representation agreement, and I understand the brokerage may represent and/or provide customer service to other buyers and sellers.

_____ Is not representing my interests, to be documented in a separate written customer service agreement, but will act in a fair, ethical and professional manner.

Signature(s)

Date

Sellers

As seller(s), I/we understand that:

(Name of Brokerage)

Initial one: _____
Is representing my interests, to be documented in a separate written agency representation agreement, and I understand the brokerage may represent and/or provide customer service to other sellers and buyers.

_____ Is not representing my interests, to be documented in a separate written customer service agreement, but will act in a fair, ethical and professional manner.

Signature(s)

Date

REALTORS® are governed by the legal concept of “agency”. An agent is legally obligated to look after the best interests of the person he or she represents. The agent must be loyal to that person.

A real estate brokerage may be your agent – if you have clearly established an agency relationship with that REALTOR® with a representation agreement. But often, you may assume such an obligation exists when it does not.

REALTORS® believe it is important that the people they work with understand when an agency relationship exists and when it does not – and understand what it means.

When working with a REALTOR®, it is important to understand who the REALTOR® works for. To whom is the REALTOR® legally obligated?

Honesty and Integrity

Most real estate professionals in our province are members of the Ontario Real Estate Association (OREA) and only members of OREA can call themselves REALTORS®.

When you work with a REALTOR®, you can expect strict adherence to provincial laws, which include a Code of Ethics. That code assures you will receive the highest level of service, honesty and integrity.

Highest Professional Standards

Before receiving a real estate registration, candidates must successfully complete an extensive course of study developed by OREA on behalf of the Real Estate Council of Ontario. That is only the beginning: in the first two years of practice, registrants are required to successfully complete three additional courses as part of their articling with an experienced broker. In addition, all registrants must continue to attend courses throughout their careers in order to maintain their registration.

Want More Information?

- Visit www.howrealtorshelp.ca
- Visit www.orea.com
- Check out homes for sale at www.realtor.ca

Other pamphlets available:

- Buying a Home
- Home Ownership Incentives
- Selling a Home



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Promoting Professionalism

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Working with a REALTOR®

The Agency Relationship



OREA Ontario Real Estate Association