

**Media Release
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REIA calls for agent selection services funding transparency

Real estate agent selection agencies should be treated the same as financial advisers and directly remunerated by the vendor, according to the Real Estate Institute of Australia (REIA).

In a submission to the Royal Commission into Misconduct in the Banking Industry REIA President Malcolm Gunning said there has been a proliferation of businesses established to assist vendors selling their homes by choosing an agent for them.

“These businesses portray themselves as an impartial consumer advocate offering a free service to choose the most suitable agent for marketing their property,” Mr Gunning said.

“On the surface this appears very attractive, the reality is however very different. Only those agents that are registered, or are, in some way associated with the selection service will be referred to the vendor. The agent selection service is nothing more than a listing service for agents who subscribe to the service,” he said.

Mr Gunning said whilst the service appears free to the vendor, the selection service is remunerated by the agent that it recommends.

“The selection services charge the agent a fee of around 20 per cent of their commission and the agent appointed will regularly seek a higher commission to off-set the costs of the selection service,” he said.

“The vendor thus pays more and does not necessarily have the most appropriate agent,” Mr Gunning said.

In February of this year the Commonwealth Bank entered into a relationship with one of these selection services - LocalAgentFinder.

“It is disappointing that the Commonwealth Bank took this step knowing the obligations of financial advisers, including that they be transparently remunerated by the client,” Mr Gunning said.

“Whilst REIA supports assisting vendors to select the agent that best responds to the vendor’s specific needs when the service provider is remunerated by the agent that they select, there is a conflict of interest which should be addressed.

“Just as financial advisers are required to be remunerated by their client rather than the investment house where client’s money is invested, REIA believes agent selection services should be remunerated transparently by the vendor,” concluded Mr Gunning.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia. For further information or to speak with REIA President Malcolm Gunning please contact Helen Hull via media@reia.com.au or 0419 642 961. A copy of the submission is available on request.