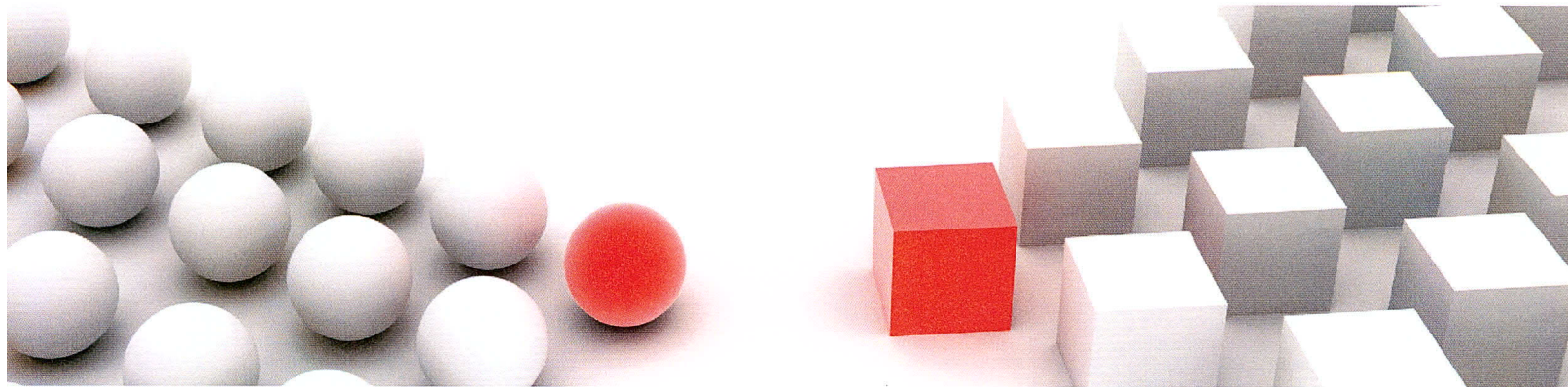


The Case of the Conflicted Loyalties



the facts

Ms. Johnson was in need of a new building for her law firm. Since business was booming, she began working with a real estate firm to assist in her search. After viewing several buildings, Mrs. Smith, the real estate agent, showed Ms. Johnson a building that was available for \$275,000. Ms. Johnson was interested in purchasing the building, but wanted to know if it could be renovated for under \$325,000.

Risk Factor #1

By referring a specific contractor the agent put herself and the agency at risk. All referrals should list multiple options & disclose that the client is responsible for the choice.

Mrs. Smith referred Ms. Johnson to a contractor, who happened to be her husband. According to Ms. Johnson, Mrs. Smith spoke with her husband and assured her the building and renovations could be hers for under \$600,000. Ms. Johnson purchased the building and retained Mr. Smith to complete the renovations. Mrs. Smith brought the renovation contracts to Ms. Johnson and was present during discussions with the contractor. Unfortunately, the renovation work was not completed on time or to Ms. Johnson's satisfaction.

Risk Factor #2

The agent blurred her role as real estate agent by also acting as an intermediary for her husband's contracting firm. In doing so, she failed to provide the highest standard of service to her client.

the result

She brought suit against the real estate firm, the real estate agent and the contractor for \$325,000. The case was eventually settled in Ms. Johnson's favor for \$160,000, including \$80,000 in legal expenses.

As a real estate broker, you need to be aware of both real and perceived conflicts of interest. What may look like a win / win situation, may be the biggest mistake you can make. It is important to make sure that your interests are mutually exclusive.



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