

## Commissions between Conveyancers & Estate Agents

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A clampdown by the Law Society of SA on conveyancers paying commissions to estate agents is unlikely to succeed because the practice is simply too widespread, say agents. Nevertheless it is indicative of the pressure on conveyancers and estate agents to change practices which are seen as being non-transparent and which limit consumer choice.

Smaller firms are feeling pressure on two fronts - from efficient large firms which have turned conveyancing into a business, and from the effort by buyers and sellers to push down lawyers' fees and estate agents' commissions. Yet, for some lawyers, professional ethics and the independence of the attorney are more important than freeing the market from restrictions and special interests.

Also of interest in the article - Wash the Windows - which appears in the May 20 issue of the Financial Mail is the calculation that conveyancing fees amount to a massive R7bn a year. The article continues with a discussion of how the consumer has benefited from the poor image of estate agents and the deregulation of their commission structures. It ends with the need for the Estate Agency Affairs Board to use its funds to educate consumers, conduct research and to expand market development into the townships.

### Market interference

What's wrong	How it affects the market	How to fix it
The seller chooses the conveyancer but the buyer pays the fee	Limits buyer's choice and ability to negotiate the fee	The seller chooses and pays
Conveyancers can't advertise like agents, banks and originators	Limits choice of sellers, who enter the market on average every seven to ten years; Conveyancers promote business via secret agreements with agents, so market not transparent	Allow conveyancers to promote themselves
Agents have pre-printed sales agreements	Gives agents the opportunity to protect their own interests above that of buyer's and seller's	Have a single agreement to be used by all agents
Agents pay for advertising	Agents use this for branding and pass the cost on to sellers through high commissions	Seller pays for advertising and controls budget
Agents own main advertising media	Gives advantage of a single shop window but restricts agents from advertising elsewhere	Broaden ownership, stop restrictive shareholder agreements
Agents control some mortgage originators	Limits buyer's choice of originator and possibly lender	Broaden ownership, make more transparent
Agents overprice; sellers among the most pampered in the world	Justifies high commissions, but allows mediocre agents to earn more than they deserve	Large agents set example and reduce their service