

Real Estate Case Study

Homebuyer misled by advertising



Case Details:

A buyer has inspected a property and noted that fixtures, which appeared to be present at pre-sale, had been removed. It is alleged that our insured was aware that the vendor had removed particular fixtures on the property.

The claim went into mediation in an attempt to reach resolution. The buyer alleged that the advertisement was misleading and contrary to the Australian Consumer Law. There would now be a possibility that the insured's conduct would be considered misleading, even if unintentional.

Unfortunately the advertisement had contained images of fixtures that had appeared on the property pre-sale. This has left our insured exposed, as evidence was presented to verify the claim by the buyer.

Although a large financial loss was not incurred by the buyer, the result of defending this matter in court would not be seen as favourable in terms of image for the insured or cost effective.

Mediation occurred and a reasonable sum presented to the buyer was accepted, which resolved the matter prior to any court attendance.



Case Outcome:

Policy Response

Due to the exposure in misleading conduct, the policy responded and indemnity was granted to the insured. The negligence was confirmed on advertising documentation presented in pre mediation. After much discussion between the claimant's solicitors and our insured's appointed panel solicitor, the matter was resolved in mediation as it was likely a defence would be costly and difficult given the submitted evidence by the claimant's solicitors. The cost incurred under the claim included a \$10,000 settlement cost inclusive.



Reduce Your Risk:

- > Ensure proofing on all advertising material;
- > Confirm with the vendor any terms and conditions of sale;
- > Verify that the property has been sold as is and identify any issues right away;
- > Complete due diligences and have it reviewed by another peer to support consistency.