

Real Estate Case Study

Land purchased under false pretences



Case Details:

The insured agreed to sell a section of land in close vicinity to the city, which was owned by a vendor. The insured persuaded a purchaser to purchase this land for \$480,000. In the advertising material the sales agent indicated “the land is perfect for residential development”. Furthermore, it was alleged the insured made further representations after the sale had been signed that the land could be built on.

After the sale of the land, the purchaser applied to build on the land, their proposal was rejected due to the land being in a water catchment area.

A claim was submitted against the agent and the vendor for misrepresentation and negligence. The claimant was seeking a refund of the purchase price of the land, plus other consequential losses sustained by the claimant in the vicinity of \$750,000.

The insured lodged a claim under the Professional Indemnity Policy.



Case Outcome:

Legal

Due to proceedings being on foot, insurers appointed solicitors to act on behalf of the insured. Following a lengthy mediation process, the matter eventually settled for \$485,000, where the insured was required to contribute \$230,000.

Policy Response

The insurers agreed to indemnify the insured on the basis of the misrepresentation, it was very clear the insured had breached their professional duty.



Reduce Your Risk:

- The agent should take it upon themselves to understand the land/property they are selling and ensure their advertising material is accurate and precise;
- Even though advice is provided by a third party, if you chose to use this advice for the sale of the land that makes you liable.