

# Real Estate Case Study

## Vendor's oversight of council leasing restrictions



### Case Details:

A buyer had purchased a property of which the insured was acting as a vendor, with the intention that the unit would be an investment property to lease out to prospective long term tenants.

The buyer then reviewed the contracts post purchase, realising unfortunately the unit was only available for 'short term lease' tenants of up to a maximum 3 month period. The buyer alleged our insured had confirmed there were no such restrictions.

This new buyer was given an opportunity to rescind on the contract and claim financial losses against the insured.

Unfortunately when documentation was reviewed, it had confirmed that the premises was zoned only for 'short term lease'. This was missed by our insured as it was clearly stated on documentation presented by the council and owner of the unit.

Our insured had breached their duty by failing to cross check all documentation and confirming if there were any conditions on the property.



### Case Outcome:

#### Policy Response

The Policy was triggered as the insured had unintentionally confirmed the property had no leasing restrictions to the buyer. This was an act of negligence in terms of due diligence which was not completed adequately. The claim was settled with the buyer which included the costs and expenses incurred.



### Reduce Your Risk:

- > Ensure that you have reviewed all relevant documentation to confirm any areas of concern;
- > Discuss with the vendor if there may be any inhabitancies which may affect the sale of the property;
- > Complete due diligences and have it reviewed by another peer to support consistency.