The following ethics case studies, as used in previous examinations, are published to assist Professional Designation Examination candidates, both non-principals and principals, in preparing for the examination.

After Mrs. Brown's estate agency firm, Ace Estates, had received a written sole mandate from Mr. Monetti to sell his home in Eden Springs, she requested Mr. Maseko, an intern estate agent in the service of Ace Estates, to conduct an inspection of the property in accordance with the requirements of a checklist, contained on the property data sheet, that had been compiled by Ace Estates.

Mr. Maseko, while conducting the inspection, noted that the flooring in the lounge, which was not carpeted, was constructed of a resilient hardwood and simply assumed that the flooring of the remainder of the house, which was wall-to-wall carpeted, was also made of hardwood. Without questioning Mr. Monetti in this regard, or making any additional inquiries, Mr. Maseko specified 'hardwood floors' on the Ace Estates property data form.

Mr. Monetti's home was subsequently sold through Ace Estates to Mr. Kunene.

Mrs. Brown was rather surprised in due course to receive a telephone call from an angry Mr. Kunene. Mr. Kunene informed her that, despite assurances by Ace Estates that the house had hardwood floors, this had proved not to be the case.

Mr. Kunene pointed out that when he had removed the wall-to-wall carpeting in the remainder of the home to sand and polish the floors he had discovered that all the flooring, save only for that in the lounge, was constructed of a cheap plywood sub-flooring. Mr. Kunene argued that he had estimated the purchase price he was prepared to pay for the house on the basis that the home had hardwood floors. He believed that, in the light of the misrepresentation, he had substantially overpaid for the property. Mr. Kunene indicated, furthermore, that if the matter was not suitably resolved he would sue Ace Estates for the damages that he had suffered by reason of the misrepresentation regarding the flooring.

Brian Redelinghuys recently placed his sectional title unit on the market. The large unit (measuring 150m²) is located on the top (eighth) floor of a prestigious, newly developed complex in Port Elizabeth, has an excellent sea view and is located in a quiet suburb.

Brian is anxious to sell the unit as quickly as possible since he has learned from articles that have appeared in his daily newspaper that the provincial hospital across the road from the complex is to be closed within approximately the next six months. According to the press the hospital property was purchased by a developer, Moletsane Developments, with the sole objective of demolishing the hospital building and redeveloping the site by erecting a twelve storey, multi-use commercial building thereon.

Brian subsequently grants a mandate to sell his sectional title unit to Rebecca Smith, an estate agent in the service of a well-known and highly respected estate agency enterprise in the city. After widely advertising the unit for sale Rebecca receives a response from Mr. Nkululeko Dlamini, a prospective purchaser presently living in Pretoria but who has just been transferred to Port Elizabeth by his employer. Mr. Dlamini appears quite anxious to purchase the unit. He indicates to Rebecca that he knows the building in question and that his wife suffers from a chronic illness which requires continuous medical attention. He believes that the easy accessibility of the hospital from the unit will be invaluable to his wife who, for health reasons, also needs to live in the kind of environment offered by a modern high-rise sectional title development.

Mr. Dlamini, who intends to use the proceeds of a bequest recently left to him after his father passed away to fund the purchase of the unit in question, arranges to travel to Port Elizabeth especially to view the unit. Upon meeting Rebecca he indicates that he trusts her implicitly because of her association with such a well-known and reputable estate agency firm. Rebecca then shows Brian's unit to Mr. Dlamini, emphasising its favourable features. She does not, however, inform him of the planned re-development of the hospital site. She seems to believe that since this matter has already been well publicised in the local press Mr. Dlamini must surely be aware of it.

Mr. Dlamini subsequently purchases the unit for cash and pays the full asking price. He is both shocked and angry, after he and his wife take occupation of the unit some two months later, to see that the hospital is being demolished and, for the first time, to learn of the proposed re-development. Not only is the hospital no longer located where he thought it would be but the redevelopment will block his sea view and also cause noise and pollution in the neighbourhood. These were the very factors that were instrumental in his initial decision to purchase the property.

Jason Schoeman, an estate agent in the service of Ubuntu Estates, is approached by representatives of Hummock Investment Company ("HIC") with the request that he market a small office block owned by them, known as 'Craig House', for sale on their behalf.

Jason advises HIC that he estimates the selling price of Craig House to be approximately R3,6 million. He does not, however, disclose to HIC that the general view of his other Ubuntu Estates colleagues, who have all seen Craig House, is that the market value of Craig House is approximately R3,3 million.

The directors of HIC are suitably impressed both by Jason's estimated market price of R3,6 million and also by his impressive sales pitch, which includes the commissioning of a glossy brochure as well as the launch of an extensive national advertising campaign – all at the cost of HIC.

Ubuntu Estates is, accordingly, appointed as the sole agent for the marketing of Craig House. The building is, at the specific request of HIC, placed on the market at a selling price of R3,9 million. Jason does not indicate any objection to this selling price.

Without fully inspecting Craig House, or even checking the facts, Jason produces a brochure describing Craig House in an excessively positive manner.

Jason includes in the brochure a large print disclaimer for any liability for misrepresentation since he recalls that he was previously advised by his attorneys that the inclusion of such a disclaimer will ensure that he does not incur any liability to a purchaser for any damages that might arise from any misrepresentations made.

A prospective buyer for Craig House approaches Jason in due course. Jason discovers, however, that a rival estate agent is trying to sell another, similar, office block to that same potential buyer. Jason, who is prepared to do whatever it takes to conclude the sale of Craig House, immediately emphasises to the potential buyer the unsuitability of the other property as well as the unreliability and generally poor reputation in the market place of the other estate agent, knowing full well that these comments are neither accurate nor true. As a result of this intervention negotiations on the purchase of Craig House continue and a selling price of R3,3 million is ultimately agreed on in principle between the parties.

The buyer, however, drags out the sales negotiations for a further two months resulting in HIC incurring considerable legal costs and also losing a significant amount of interest that they would otherwise have earned. Jason, at this stage, ‘encourages’ the negotiations by strongly hinting to the buyer that HIC, due to its pressing financial commitments, needs to sell Craig House urgently and might, therefore, still be prepared to reduce the purchase price of Craig House.

The buyer, now aware that this is an urgent sale, refuses to continue with the purchase of Craig House unless HIC reduces the previously agreed purchase price by R300 000 to R3 million. HIC, although furious at the buyer’s tactic, knows that if the sale is cancelled it will not be able to resell Craig House in the short term and that any further delays will cause it to suffer serious cash flow and other financial problems. HIC is, therefore, reluctantly forced to agree to reduce the purchase price of Craig House to R3 million and a sale agreement is thereafter concluded at this price.

Unbeknown to HIC, Jason subsequently receives a free trip to Disneyland in the United States for himself, his wife and his three children, from the buyer for having helped them to obtain Craig House at an excellent price.