

How can we arrest the rise in white-collar crime in Australia's property industry?

Written by The Conversation USA

Consumers lose out when a real estate agent acts fraudulently. This includes actions such as false and misleading advertising, deceptive conduct and misappropriation of trust funds.

So [what is behind](#) the increase in white-collar crime and fraudulent behaviour? And are there any preventative measures that could be implemented to reduce the impact on consumers?

The scale of the problem

There are various property agency laws and codes of ethics that set out appropriate standards of behaviour for property agents.

In New South Wales, occupational licensing for property agents and certificates of registration [are mandatory](#) if working in the property industry. Occupational licensing for this category is managed under the auspices of individual state and territory [Fair Trading offices](#).

[My research](#) concluded that education plays a pivotal role, coupled with industry experience, in combating white-collar crime in the property industry.

From 2003, the NSW regulator diminished the existing higher educational requirements and abolished the need for industry experience. This has been followed by significant increases in consumer and trader complaints in real-estate transactions.

These complaints include non-disclosure of a vested interest, misrepresentation, unethical conduct and fraud.

The table above indicates an increase in complaints from 1756 to 3754 in a decade.

How can we arrest the rise in white-collar crime in Australia's property industry?

Written by The Conversation USA

In 2012-13 Fair Trading reported only 1,444 complaints, which represented a decrease of 17.77%. However, there does appear to be an anomaly with the following year, which reported an increase of 113.78%. Therefore, it is possible that the complaints for 2012-13 could have been partly accounted for in the following financial year – hence the disparity.

If this is the situation, then an average calculation would indicate that complaints increased in 2012-13 and 2013-14 by an average of 48% for each year. This appears more in line with trends during the earlier years.

My [2013 study](#) identified ten randomly selected court cases from 2010 to 2013 that related to trust accounting fraud. Of these, five cases disclosed the amounts misappropriated – which totalled A\$2,107,261.

I undertook [further research](#) on five court cases that occurred during the 2013-14 financial year. The misappropriation of trust funds ranged from \$813,936.00 to \$1,434,111.43. The penalties ranged from jail sentences, extending from a bond for good behaviour to 18 months' imprisonment, to disqualification from holding a licence or certificate and working in the property industry.

The way forward

Consumer complaints and trust accounting fraud continue to increase. Over the last decade, the property industry has continuously lobbied the regulator for an improvement in the educational requirements for the certificate of registration and licence categories.

My research developed a model of occupational corruption. Based on this, it [recommends](#) the following preventative measures be implemented:

- 1.

A major overview of the educational course curriculum and associated mandated qualifications. All certificate of registration holders should complete a Certificate IV qualification. All licensed holders should complete a diploma qualification, both within the property services training package and the relevant category of employment.

How can we arrest the rise in white-collar crime in Australia's property industry?

Written by The Conversation USA

2.

An increase in the mandated units and training hours required before starting work in the property industry. The previous industry experience of a minimum of two years should be reintroduced.

3.

A points system where agents must submit their business and personal financial details to Fair Trading in order to obtain or renew their property licence. This will identify the agents whose businesses are not trading profitably and who might be considered high risk in trust accounting ethics and processes. The issuing of the licence should be linked back to obtaining a nominated minimum point score that reflects the financial viability of the licence holder or business.

4.

An interview system, where agents applying for their licence are required to undertake an oral examination. In Australia, the Australian Property Institute and the Royal Institution of Chartered Surveyors have for decades successfully applied this method of assessment to the valuation profession.

Hera Antoniadou does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

Read more <http://theconversation.com/how-can-we-arrest-the-rise-in-white-collar-crime-in-australias-property-industry-54955>