

Property buyers, sellers need to be extra vigilant in avoiding fraud

With property fraud on the rise, buyers and sellers need to be ultra-vigilant, says Chris Tyson, chief executive of Tyson Properties. “In tough economic times, people turn to crime. In the property industry, it is no different,” he says.



There are a number of different types of property fraud taking place. A property owner wishing to sell his property may learn that an imposter has obtained his signature for what he thought was a bank loan - only to find out later that the imposter has, in fact, sold his property to a third party.

Then there's the problem of purchasers falsifying documents such as pay slips to secure bond approvals. When this is uncovered and a bond approval retracted, the sale falls through. In such instances costs incurred by sellers, estate agents and conveyancers remain unsettled.

Digital property fraud

But the fastest growing property fraud is definitely digital.

Tim Akinnusi, executive head: sales and client management in home loans at Nedbank, says that, although not widely spoken about, property fraud is a very real threat. One of the most common types is hacking into emails or redirecting funds to new beneficiary accounts.

Darren Brander, a director and conveyancer at national law firm Smith Tabata Buchanan Boyes (STBB), agrees that it is becoming increasingly common for fraudsters to intercept or simulate communications between their clients or between attorneys and their clients in property transfer transactions. He believes that property-related fraud has increased over the past three years because deposits paid on property transactions and the proceeds of a sale represent significant amounts of money.

“Often, buyers are requested to pay the deposit on a property transaction into an attorney’s trust account or, alternatively, into the agent’s trust account just after acceptance of an offer. This is a common stipulation in a sale agreement of immovable property. Fraudsters have found ways to intercept these requests and then use the details on them to create alternative emails which look just like those sent by agents or attorneys. These advise the client of a change in banking details.”

Clients are then asked to pay the deposit into the ‘new’ banking account.

Attorney-client communication

He adds that fraudsters seem to be aware of when property transactions are about to be registered. “The same modus operandi seems to be applied with regard to the communication between the attorney and the client when arranging for payment of the purchase price to the seller, after registration. It is during this period that sellers, buyers, agents and the attorneys need to be most vigilant,” he warns.

Brander suggests that buyers and sellers ask for verification of the bank account to which any funds are being paid. He also says that any mails requesting a change of banking details should be viewed with suspicion.

All requests made via email should be checked against previous mails received from the same supposed sender. Fraudulent mails are often sent from accounts that are very similar but never identical to the original email addresses.

Brander acknowledges that in a digital age when time is always short, face to face meetings are not always practical. However, important documents should at all times be signed in person and verification of bank details always completed.

“As a precaution and to create awareness amongst our clients, we regularly advise clients that we never send an email requesting a change of banking details,” he says.

Akinnusi says banks are also urging clients to never disclose material information online. “As much as possible, share critical information in person only,” he says.

Comprehensive Offer to Purchase

He adds that, even in person, clients should make sure that an Offer to Purchase (OTP) is comprehensive and that all critical information is included, especially all details of the buyer and the seller and the address of the property.

“An incomplete or blank OTP is an absolute no-no,” he emphasises. Brander, too, stresses that no document should be signed in blank.

Tyson says that the risk of fraud is not confined to home loans. “Cash deals, no matter how enticing, can also pose great risks. Always insist on a deposit prior to occupation.”

Brander concurs, “An unwitting seller may believe the cash deal to be secure, but he is in an unenviable position if the

purchaser insists on only parting with his cash after transfer into the purchaser's name, was effected. The seller then risks not being paid at all, after allowing ownership to pass!"

Affiliations, registrations and qualifications

With increased fraud and clever criminals behind them, Akinnusi advises both buyers and sellers to use only registered and reputable estate agents and approved conveyancers.

"Choose an estate agent that is affiliated to a registered brand and ask questions about their affiliations, registrations and qualifications. Ask to see proof of certifications, VAT numbers and tax registrations. They will share this willingly if they are legitimate agents. Clients should never be afraid to check and recheck everything that's material to the transaction," he points out.

Tyson agrees, "At a reputable agency, agents are trained to qualify buyers by asking the right questions, structure deals correctly to protect sellers, make sure the right conveyancers are used to monitor sales with proper feedback." He adds that a reputable agent should have a current Fidelity Fund Certificate and a clear record with the Estate Agency Board.

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