

Reduced deposit and the agent (Keep it simple)

As a vendor, should I check the contract before signing?

A small knowledge can save you grief.

A standard deposit is 10% of the sales price.

Why a 10%?

Answer: You see, a 10% is usually is a substantial amount of money for most properties in the state of New South Wales. If the purchaser defaults, he or she doesn't want to lose that amount. There are more incentives to proceed to settlement. To do otherwise, that will blast a major hole in your bank account.

Often, the purchaser would negotiate a lower amount and the sales agent is very eager to exchange contract he or she would care as to the amount of the deposit. Any amount tiny amount will do as long the contracts are exchanged.

Should you accept a reduced deposit?

Answer: The answer is yes and no. However, you must be extremely careful if you do accept a reduced deposit.

Here is why?

Whatever you do never touch the typed "10%" on the front page of the contract. Make sure your salesman does not alter that. You will see why later. Keep on reading.

If you decided to accept a reduced deposit, make sure in the special condition it says, even if the deposit is reduced, if the buyer defaults, the vendor has the right to sue for the full 10%.

[Now here is a case of Luong Dinh Luu v Sovereign Developments Pty Ltd.](#)

Facts: The sales price was \$6.6 million dollars.

Normally, a deposit is 10% and that would be \$660,000.

However, in this case, the salesman agreed on a 1%, which is only \$66,000.

That is a huge difference, isn't it?

What did the salesman do? The agent crossed off the typed "10%" and hand written it with a 1%.

The vendor then signs the contract to accept the offer.

Unfortunately, the purchaser didn't have enough money to settle. The purchaser defaulted and eventually, the contracts were terminated.

The vendor sue for the 10% which is \$660,000.

The battle begins...

What did the judge say?

The judge says if the typed 10% was not crossed off, then the vendor is entitled to the full 10%. Since it was tampered with and replaced with a 1%, it means the vendor agreed to accept the lesser amount in the event of a default. That is the 1% which is \$66,000.

So who do you blame? The sales person who amended it, or does you blame the vendor who signs the contract to accepts the change?

Now you can have another war. This war is with the salesman. Well, you can battle it out again.

What should you do to avoid wasting your money and your lives?

If you are the salesman, make sure you never touch the "10%".

If you are the vendor, before signing the contract of sale, make sure the "10%" was left untouched.

Wise tip

Your members of Parliament have a standard of contract of sale of land for a good reason, to keep it safe for both parties. This period is only short, usually 6 weeks. Once you start messing with it, your lives will be messed up too. Your lives will be messed up much longer than 6 weeks.

