

Trust account

What is it?

It is a separate bank account to hold clients' money for a short period.

Why do you need a trust account?

You see, when you buy a house, for example, you normally put in a deposit of 10%. The transaction process takes about 6 weeks to settle.

If the buyer gives the money directly to the vendor, the vendor could run away with the money and complication will arise. That is a big fear and risk.

To make it safe, the better option is to let a third party with a trust account take care of the money for the interim.

Do all real estate agents have to have trust accounts?

Answer: yes, all of the agents do have trust accounts.

Do conveyancers, barristers or solicitors have trust account?

Answer: it is not compulsory to have a trust account for the legal profession, so less than 10% of firms would choose to have a trust account.

Once I have given the money to the agent to put into the trust account, how do I know that he, in fact, did put it in the account, how can I be sure?

Answer: if you are a careful person, you can always ask for evidence that the money has already been put into a trust account. If they are a good real estate agent, they would be glad to give you proof. That is a sign of a good and professional real estate agent.

What safe guards are there with a trust account?

Answer: in order to withdraw the money from the trust account, the real estate agent needs two "letters of authority to release": one letter from the buyer's conveyancer and one from the vendor's conveyancer. It has to be faxed through or emailed through to the agent.

The 2 letters are required as to deter the agent from doing the wrong thing by touching the trust account with no authority.

Wouldn't it be better and safer that the government act as a custodian of the money?

Answer: the government do not want to have the extra burden to deal with your money when they get no commission out of it.