



# News Release

For Immediate Release

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## Ontario Homebuyers Could be Better Protected by the Real Estate Council: Auditor General

(Toronto) The Real Estate Council of Ontario (RECO), the Province's realtor regulator, can do a better job protecting the interests of consumers in what is often one of the biggest purchases of their lives, says Auditor General Bonnie Lysyk in her *2022 Annual Report*. RECO is legislated to protect consumers who buy properties in Ontario.

Despite its mandate to protect consumers, RECO's Board of Directors is almost exclusively comprised of industry representatives. Its Board is required to have an advisory process for direct input to the Board on issues of importance to consumers, but for most of RECO's existence, it has not had this process in place.

The Auditor's report identified the following areas for improvement:

- Some legal protections imposed in other jurisdictions, such as the restriction on realtors representing both sides of a transaction, do not exist in Ontario, though they carry an inherent risk for consumers. Ontario also allows "blind bidding" which prevents potential buyers from knowing the value of other bids, and there is no cooling off period to allow buyers to reconsider their purchase.
- RECO doesn't have a policy that prevents a realtor from profiting on a transaction that violates its Code of Ethics, and fines for unethical transactions are often lower than a realtor's sales commission.
- RECO does not have a consistent process to assess applicants who disclose a criminal history. The audit sampled 25 brokers and salespersons registered in the last three years who had disclosed a criminal conviction or charges. Even though RECO can refuse to register applicants who cannot be expected to carry on business lawfully and with integrity, in 20 of these cases, these registrations were approved, and RECO did not have a documented rationale for why it did not refuse to do so.
- RECO inspects real estate brokerages to assess their compliance with the Real Estate and Business Brokers Act. However, more than a quarter of real estate brokerages have never had a full inspection, and more than a third haven't had a full inspection in more than five years.

In addition, Lysyk noted that it is probable that money laundering is occurring undetected in Ontario's real estate market. Large cash transactions on real estate are rarely reported, even though it is required. FINTRAC, the federal agency tasked with tracking large cash transactions, received zero reports from Ontario realtors from 2017 to 2021 and just 18 reports in the following year.

The audit report includes 25 recommendations for improvement.



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