

**Farglory Land Development Co., Ltd. &
Farglory Realty Co., Ltd.**

1533rd Commissioners' Meeting (2021)

Case: Farglory Land Development and Farglory Realty violated the Fair Trade Law when marketing "Ming Ri Zan" presale housing project

Keyword(s): Presale home, information disclosure

Reference: Fair Trade Commission Decision of March 31, 2021 (the 1533rd Commissioners' Meeting); Disposition Kung Ch'u Tzu No.110020

Industry: Real Estate Development Activities (6700), Real Estate Agencies Activities (6812)

Relevant Law(s): Article 25 of the Fair Trade Law

Summary:

1. Farglory Land Development Co., Ltd. (hereinafter referred to as "Farglory Land Development") delegated Farglory Realty Co., Ltd. (hereinafter referred to as "Farglory Realty"), a member of the same group, to market the "Ming Ri Zan" presale home housing project (hereinafter referred to as "the housing project") in Guiren District, Tainan City. On March 13, 2021, the two companies held a celebration and invited guests to attend the event. The Ministry of the Interior and other government agencies jointly audited the activity and discovered the two companies not only did not disclose important transaction information but also conducted lot drawing for the attendees to pick and purchase a unit. The activity led to panic buying and the presale home purchase order was affected.
2. Findings of the FTC after investigation:
 - (1) Before Farglory Land Development and Farglory Realty held the March 13 celebration, the reception center for the housing project was not yet completed. The two companies rented a space in a hotel to conduct 4 to 5 small presentations. Some information was provided to consumers in the events, but the presale home transaction agreement, parking space layout and the names of banks giving the loans were not available.
 - (2) Consumers expressing interest in the housing project during the presentations were notified to attend the celebration on March 13, 2021. On that day, Farglory Realty made sure each invitee came with a NT\$100,000 check before he or she was given a number to enter the venue. Altogether, 608 teams of consumers attended the activity

which began with an explanation of rules for the activity. Then, the lot drawing commenced. Each invitee drawing a number between 1 and 300 was entitled to select one of the 205 units released by Farglory Land Development provided that the NT\$100,000 was turned in as the deposit and the “purchase priority certificate” was filled out to serve as the proof of unit selection.

- (3) The rules of the activity included the following: (i) The holder of each unit selection number could make inquiries about two units and his/her decision had to be made within one minute; otherwise, the candidate would be regarded as giving up the unit selection priority. (ii) After receiving the selling price notice, each unit selector had to decide to make the purchase or not and sign the home purchase certificate. Those failing to sign the certificate would be regarded as giving up the purchase priority and the deposit would be returned without interest.

3. Grounds for disposition:

- (1) When Farglory Land Development and Farglory Realty held the lot drawing for people to choose from a limited number of units, they were already selling presale homes as the two companies also collected deposits. However, they did not provide the presale home purchase agreement, parking space layout and the names of banks giving the loans. It was obviously unfair conduct.

- (i) Farglory Land Development and Farglory Realty organized the lot drawing for people to select from a limited number of home units. The venue of the event was crowded. People were eager to be lucky despite that there was only one minute to make the decision. In addition, if they waived the purchase priority later on, the check would be returned. However, Farglory Land Development and Farglory Realty did not disclose important transaction information. It put the consumers participating in the celebration activity in a disadvantageous position of being unable to make their transaction decisions rationally because the behavior and judgment of the consumers were affected. Moreover, through the activity, Farglory Land Development and Farglory Realty were able to detect the level of the participants’ enthusiasm. When consumers made price negotiations in the future, the product rarity of the 205 units released in the activity and the over one hundred not yet released units resulted from the panic buying during the celebration activity would weaken their bargaining ability. All the above-mentioned was obviously unfair to consumers.

- (ii) Farglory Land Development and Farglory Realty started to create business opportunities and round up consumers to place orders

before preparing the transaction information completely. It was obviously unfair competition to other real estate companies that followed the business convention of getting all the transaction information ready before starting marketing.

- (2) Farglory Land Development and Farglory Realty violated Article 25 of the Fair Trade Law for failing to disclose complete important transaction information during the lot drawing of limited number of units.
 - (i) As a consequence of the obviously unfair conduct of Farglory Land Development and Farglory Realty, the consumers participating in the activity were forced to make their decisions without complete transaction information. Instead, the tendency was to make similar decisions like most other consumers, whether they were lot drawing winners or not. The bandwagon effect could be created even when some consumers saw or heard it through the media. As a result, those failing to win the lot drawing and potential homebuyers would be particularly eager to make a purchase when the unreleased units were being marketed. By then, Farglory Land Development and Farglory Realty would be able to push up the prices and increase their profits on the sale.
 - (ii) The panic buying created by the obviously unfair conduct of Farglory Land Development and Farglory Realty would have an effect on the expectations of the general public towards presale home market prices. The results would enable Farglory Land Development and other real estate businesses to take advantage of the needs of consumers and raise the prices of presale homes. Farglory Land Development and Farglory Realty promised to return the NT\$100,000 checks to consumers who placed orders but in the end decided not to make the purchase, so such consumers would suffer no loss. Nevertheless, exactly because there would be no loss, the large-scale lot drawing for home unit selection held by Farglory Land Development and Farglory Realty could cause consumers to adopt the approach of beating others when buying presale homes in the future. Under such circumstances, the real estate industry could enjoy great business, but the overall effect on the presale home market would be negative.
- (3) Farglory Land Development and Farglory Realty held the lot drawing activity during the Ming Ri Zan presale home housing project celebration for invited guests to win the opportunity to select home units. As the two companies also collected deposits from the participants, they were already selling presale homes. However, they did not provide the presale home purchase agreement, parking space layout and the names of banks giving the loans. It was obviously

unfair conduct that could affect trading order in violation of Article 25 of the Fair Trade Law. Citing Article 36 of the Enforcement Rules of Fair Trade Law, the FTC imposed administrative fines of NT\$2 million on Farglory Land Development and NT\$1.5 million on Farglory Realty respectively.

Appendix:

Farglory Land Development Co., Ltd.'s Uniform Invoice Number:
04673318

Farglory Realty Co., Ltd., Ltd.'s Uniform Invoice Number: 23605591

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