

**Changrong Jiumeng Construction and Development Co., Ltd. and  
Zhengan Advertising Co.,Ltd.**

1578<sup>th</sup> Commissioners' Meeting (2022)

Case: Changrong Jiumeng Construction and Zhengan Advertising violated the Fair Trade Law during the process of marketing the Dapingling ONE presale homes

Keyword(s): Presale home, deposit, contract inspection

Reference: Fair Trade Commission Decision of January 5, 2022 (the 1578th Commissioners' Meeting); Disposition Kung Ch'u Tzu No.111002

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

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

Summary:

1. The FTC received complaints from an informer stating that he had gone to the Dapingling ONE presale home reception center located in Xindian District of New Taipei City several times to check out the units and requested the salespersons to give him a copy of the purchase agreement so that he could take home for purpose of reviewing the purchase agreement more carefully. However, each time he was told to pay a deposit of NT\$200,000 before they would give him a copy. He thought the practice was in violation of the Fair Trade Law.
2. Findings of the FTC after investigation:
  - (1) To understand the actual process of how the presale homes in question were sold, the FTC sent its staff members under the pretence of ordinary consumers to check the reception center. The salespersons gave a description of the housing project, showed them the model home, asked them which unit they liked, explained the layouts of the units and payment timeline, and also made it clear that they had to pay a deposit of NT\$200,000 to have a look at the purchase agreement. The FTC's staff members wanted to bring back the agreement home, but the salespersons responded that the agreement could only be read at the reception center. They could also provide any necessary explanations but could not allow the agreement to leave the premises.
  - (2) The FTC's investigation revealed that the Dapingling presale home

project was built by Changrong Jiumeng Construction and Development Co., Ltd. (hereinafter referred to as “Changrong Jiumeng Construction”) and Zhengan Advertising Co., Ltd. (hereinafter referred to as “Zhengan Advertising”) was commissioned to be the marketing agent. According to the marketing contract, both companies could profit from the sales and therefore both were advertisers in this case.

- (3) According to Zhengan Advertising, it had indeed happened that some homebuyers could not take the purchase agreement home for purpose of reviewing the purchase agreement more carefully. A finding of the FTC’s investigation showed that, among the 223 units already sold, the percentage of buyers paying the deposit earlier than the agreement review date or on the same day achieved 99%. At the same time, the FTC randomly selected 198 of the buyers and interviewed them over the phone. One of them confirmed the salespersons had insisted he had to pay the deposit before the agreement would be given to him to take home for review. Judged according to the process of the salesperson confirming the purchase intention, the homebuyer choosing the unit and both sides making price negotiations, the salesperson collecting the deposit and writing up the order, and handing over the agreement to the buyer, there was no doubt that the homebuyer had no chance to take the purchase agreement home for a closer review before paying the deposit. The practice was obviously unfair conduct of taking advantage of the seller’s better position in the information asymmetry and inappropriately restricting homebuyers from taking the agreement home for a closer review of the purchase agreement.

### 3. Grounds for disposition:

- (1) Unlike transactions of ordinary consumer products, presale home purchases involve large amounts of money and big risks. In this case, homebuyers were in a relatively weaker position as far as information was concerned, yet the seller insisted on collecting the deposit before the purchase agreement would be given to the homebuyer to take home for review. By paying the deposit, they were taking a risk and it could impede them from making the correct transaction decision. The presale homes in this case totaled 281 units. The statement from the informer and the findings of the FTC’s investigation revealed that it could not have been a single or non-recurring event. The fact that the salespersons unduly prohibited potential homebuyers from taking the purchase agreement home for review was obviously unfair. The practice must have had an effect on homebuyers having already signed the

agreement and could also influence on potential trading counterparts. In other words, victims would be many. Although the offenders contested that potential homebuyers could request to get the deposit back before the agreement was signed, the practice of collecting deposits to gain more time to make more negotiations could cause other law-abiding competitors to lose opportunities to make fair transactions. This would then lead to unfair competition likely to affect trading order in a market where price, quality and other types of performance competition formed the core value. Without question, the conduct was in violation of Article 25 of the Fair Trade Law.

- (2) After taking into consideration the duration of the unlawful act, the business scale of each of the two companies, the amount of sales already made from the presale homes in question, the degree of cooperation during investigation and the fact that the offenders had already proposed corrective measures, the FTC ordered the offenders to cease their unlawful acts and also imposed NT\$1 million on Changrong Jiumeng Construction and NT\$500,000 on Zhengan Advertising.

Appendix:

Changrong Jiumeng Construction and Development Co., Ltd.'s Uniform Invoice Number: 16254394

Zhengan Advertising Co., Ltd.'s Uniform Invoice Number: 54326911

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