

Zhu Feng Construction and Da Yuan Advertising

1623rd Commissioners' Meeting (2022)

Case: Zhu Feng Construction and Da Yuan Advertising violated the Fair Trade Law by posting false advertisements to market Zhu Feng Dun Hui housing project

Keyword(s): Housing project, good sales, false advertisement

Reference: Fair Trade Commission Decision of November 2, 2022 (the 1623rd Commissioners' Meeting); Disposition Kung Ch'u Tzu No. 111082

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

Relevant Law(s): Article 21 of the Fair Trade Law

Summary:

1. When marketing the Zhu Feng Dun Hui housing project (hereinafter referred to as the housing project), Zhu Feng Construction Co., Ltd. (hereinafter referred to as Zhu Feng Construction) and Da Yuan Advertising Co., Ltd. (hereinafter referred to as Da Yuan Advertising) posted in Liberty Times e-Paper the text of "over 50% of Zhu Feng Dun Hui units sold within one month before announcement of Level 3 Pandemic Alert" and "sales breaking 70% during June and July even after announcement of Level 3 Pandemic Alert." However, the actual sales record of the housing project were inconsistent with the claim.
2. Findings of the FTC after investigation:
The housing project included 78 units. Da Yuan Advertising was delegated to sell 36 of them and signed 27 unit reservation agreements as of July 2021. However, after the homebuyers giving up their reservations were deducted, only ten units, 27.78% of the total units, of the 20 agreements signed within the first month of the official sales were actually sold. Then, in June and July of the same year, sales accumulated to 19 units, accounting for 52.78% of the total units available. Apparently, the two figures were rather inconsistent with the claims of sales achieving 50% and sales breaking 70% posted in the e-paper.
3. Grounds for disposition:
 - (1) The claims at issue were posted in the Real Estate Market section of

Hot News in Liberty Times on August 5, 2021. The wordings of “over 50% of Zhu Feng Dun Hui units sold within one month before announcement of Level 3 Pandemic Alert” and “sales breaking 70% during June and July even after announcement of Level 3 Pandemic Alert” gave people the impression that the housing project sold very well within a short period of time and only 30% of the units were left for consumers to purchase. The FTC’s investigation showed that there were 78 units in total and Da Yuan Advertising was delegated to market 36 of them. Although Da Yuan Advertising signed 27 unit reservation agreements as of July 2021, after the number the homebuyers giving up their reservations were deducted, only ten units, 27.78% of the total units, of the 20 agreements signed within the first month of the official sales were actually sold. Meanwhile, in June and July of the same year, sales accumulated to 19 units, accounting for 52.78% of the total units available. The two figures were inconsistent with the claims of sales achieving 50% and sales breaking 70% posted in the e-paper. Although Da Yuan Advertising did receive deposits or promissory notes from homebuyers and signed unit reservation agreements with them, when the claims were posted they had already known that the number of homebuyers giving up their reservations was not deducted whereas how the percentage of sales was calculated was not disclosed at all. In other words, the actual sales were different from what consumers understood and the difference could cause wrong perceptions, increase the willingness of potential homebuyers to take a look at the units, and make transaction decision in a rush. Moreover, the conduct was also an unfair competition to competitors. It was in violation of Article 21(1) of the Fair Trade Law.

- (2) After assessing the motive and purpose behind the unlawful act of Zhu Feng Construction and Da Yuan Advertising, the inappropriate profit expected, the level of harm to trading order, the duration, the profit obtained, the business scale, management condition and market status of each offender, past violations, the corrections made after the violation and the cooperativeness throughout the investigation, the FTC took into account the total number of units of the housing project, the total sales, the duration the advertisements were posted, and, by citing the first section of Article 42 of the Fair Trade Law, imposed an administrative fine of NT\$500,000 on each company.

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