

REFERRALS – INDUSTRY MEMBER REQUIREMENTS

Purpose: This bulletin outlines the obligations of an industry professional when they make a referral.

This bulletin applies to all industry professionals.

A “referral” means “the act of recommending or directing a person for service, assistance, or business to another person or business.”

A referral in exchange for a fee or other compensation is a common practice in the real estate and mortgage brokerage industries.

Real estate, property managers and mortgage professionals must disclose that they may receive a fee or compensation to the person they are referring.

Industry professionals can only disclose client confidential information with the consent of that person.

Consent of client to disclose confidential information

The person you are referring must consent to the sharing of their information for the referral. You can only share the information with the person the client agrees to share the information.

Confidential information means “any information concerning the client including the client’s financial or personal situation, the client’s real estate and the transaction involving the client.”

Many referrals will involve disclosing only basic information, like name, email address and phone number. Other referrals may require more information about a person, such as the person’s real estate, property management, mortgage or appraisal requirements, or their financial situation.

In all cases, industry professionals must receive written consent from the person whose information they will be giving to a third party before releasing that information.

Referral disclosure requirements

If an industry professional may receive a referral fee or other compensation, they must first disclose to the person subject of the referral the following:

- that the industry professional will be giving the person's confidential information to a third party service provider
- what information the third party will receive such as name, phone number or email, or other confidential information
- that the industry professional may receive a referral fee or other benefit from the service provider for making the referral

This disclosure must be in writing and include an acknowledgement by the client that they consent to this referral. If they do not agree, do not make the referral.

The written disclosure and acknowledgment must be part of the brokerage file.

Industry professionals should know to whom they are making the referral. If referring a client to another industry professional it is the referring industry professionals' responsibility to take reasonable steps to ensure the person has a licence to carry out the service for the referral client.

The easy way to determine if an industry professional holds a licence with RECA is to visit RECA's website at www.reca.ca and use "Search for an Industry Professional".

If referring a client to an industry professional outside of Alberta, there are several ways to determine whether that third party holds a licence in their jurisdiction.

The Association of Real Estate Licence Law Officials (ARELLO) is an international organization that provides a "Real Estate Licence Verification" search tool on their website www.ARELLO.com. Most Canadian provinces and US states are members of ARELLO and supply ARELLO with current information.

If you cannot verify the licence status of an industry professional on www.ARELLO.com, search the website of the licensing authority in the province or state of the third party. If the website does not give an online licence search function, contact the licensing authority directly.

Do not make the referral unless you can confirm that the third party holds a licence for what you are referring your client.

You may only pay and receive referral fees through your brokerage
Referrals of clients you make are on behalf of the brokerage with which you hold a licence. The brokerage must receive all referral fees or benefits from any referrals.

Related information

Legislation

- *Real Estate Act* Rules - sections 1(1)(bb), s.44, s.45, s.54(c), s.70(c)

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