

PUBLIC ADVISORY



Real Estate Council of Ontario

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The Real Estate Council of Ontario (RECO) is responsible for administering the Real Estate and Business Brokers Act, 2002 and associated regulations on behalf of the provincial government.

In order to trade in real estate in Ontario, brokers and salespersons must be registered under the Real Estate and Business Brokers Act, 2002.

RECO's mission is to regulate the activity of trading in real estate in the public interest.

For more information about the Real Estate Council of Ontario, visit www.reco.on.ca

Former real estate broker sentenced to year in jail *Charges laid under the Real Estate and Business Brokers Act 2002*

Feb. 22, 2010 (Toronto) - A former Toronto real estate broker who misappropriated funds deposited to him in trust, was sentenced to a year in jail today. His brokerage was also fined \$200,000.

David Seto pled guilty last November to eight counts of failing to ensure that while acting as a broker of record of RE/MAX Executive Realty Inc. (1996), the brokerage complied with the *Real Estate and Business Brokers Act, 2002* (REBBA 2002). The brokerage was also convicted of eight counts of failing to deposit trust money into a real estate trust account and depositing the money directly into a general account. For each of the eight counts, it received a fine of \$20,000. A \$40,000 victim surcharge fine, standard in such cases, was also levied.

The Real Estate Council of Ontario (RECO) began an investigation into Mr. Seto and the brokerage in January 2009 after receiving a tip from an anonymous source about irregularities regarding a trust account.

After an initial investigation, RECO issued a freeze order, freezing the bank accounts of RE/MAX Executive Realty Inc. (1996). The Registrar of RECO also ordered an immediate suspension of the registrations of Mr. Seto and the brokerage, thus suspending their privilege to trade in real estate in Ontario and issued a proposal to revoke their registrations. On March 11, 2009 the proposal was upheld and both registrations were revoked.

The investigation by RECO found that on several occasions, beginning in the summer of 2007, Mr. Seto had received funds from clients with respect to agreements of purchase and sale. The funds, to be deposited into a trust account, were instead deposited into the general account of the brokerage. Evidence presented to the court showed Mr. Seto had signed deposit slips indicating funds had been deposited into trust accounts when they had not. At the same time, there was a 10-month period where Mr. Seto had authorized payments to himself from the general account totaling more than \$120,000.

Though figures show consumer losses exceeded \$133,000, they are not out of pocket due to RECO's consumer protection insurance. All brokers and salespersons must carry this insurance in order to be registered in Ontario. RECO's council had asked the court for a one year sentence for Mr. Seto. The maximum sentence allowed under REBBA 2002 is two years less a day per count. Mr. Seto has appealed the one year sentence.

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