

Arbitrable Issues and Appropriate Parties

As used in Article 17 of the Code of Ethics the terms “dispute” and “arbitrable matter” are defined as those contractual issues and questions, and specific non-contractual issues and questions defined in Standard of Practice 17-4, including entitlement to commissions and compensation in cooperative transactions, that arise out of the business relationships between REALTORS[®] and between REALTORS[®] and their clients and customers. NOTE: Arbitration between Realtors and their clients or customers can only take place with the consent of the client or customer.

In 2001, Article 17 was amended by the addition of the following paragraph:

The obligation to participate in arbitration contemplated by this Article includes the obligation of REALTOR[®] (principals) to cause their firms to arbitrate and be bound by any award.

This expansion in the scope of Article 17 does not diminish the personal responsibility of REALTORS[®] to participate in arbitration. While Article 17 obligates REALTORS[®] to “. . . cause their firms to arbitrate and be bound by any award . . .,” it does not confer REALTOR[®] membership status on real estate firms. Membership, and the duties membership imposes including adherence to the Code of Ethics, is still personal to every REALTOR[®].

The expansion of Article 17 enhances the dispute resolution process by increasing the availability of arbitration—and the likelihood that awards will be enforceable and paid. In many instances, the disputes giving rise to arbitration under Article 17 relate to contracts between REALTOR[®] firms or between REALTORS[®] acting on behalf of their respective firms. Even where disputes are actually between firms, Article 17 has required that arbitration complainants and respondents be individual REALTORS[®] (principals), and that awards be rendered in favor of and against individual REALTORS[®] (principals). In some instances this requirement has resulted in unfair results or rendered the arbitration process impotent because awards were uncollectible. Examples include REALTOR[®] (principal) respondents leaving the association’s jurisdiction, leaving the real estate business, relinquishing their status as a principal in the firm, or being insolvent or “judgment-proof.”

The expansion of Article 17 gives both arbitration complainants and respondents greater latitude in determining who the parties are and how any resulting award will be made.

For example, a REALTOR[®] seeking to invoke arbitration could name a REALTOR[®] (principal) in another firm as the sole respondent; could name multiple REALTORS[®] (principals) in the other firm as respondents; could name a firm (comprised of REALTOR[®] principals) as the respondent; or could name both individual REALTORS[®] (principals) and their firm as respondents. In this way, the likelihood of the arbitration process being thwarted because a named respondent is no longer subject to an association’s jurisdiction before, during or after the arbitration process, or an award being uncollectible, is greatly reduced.

Similarly, individual REALTOR[®] respondents who want either additional REALTOR[®] principals or their firms (or both) to be parties to the dispute can file an arbitration request against the original complaints with additional REALTOR[®] (principals) or the firm (or both) named as complainants. In such cases both claims would be consolidated by the Grievance Committee and all claims would be resolved in a single hearing.

Common questions include:

(1) If only an individual REALTOR[®] (principal) is named as the respondent in an arbitration request, can a Hearing Panel make an award against the respondent’s firm?

No. Awards can only be made against named parties in the arbitration request and agreement.

(2) If only an individual REALTOR[®] (principal) is named as the complainant in an arbitration request, can a Hearing Panel make an award in favor of the complainant's firm?

No. Awards can only be made in favor of parties named in the arbitration request and agreement.

(3) If an award is made against an individual REALTOR[®] (principal), is it enforceable against the respondent's firm?

Awards are generally enforceable against parties named in the award.

(4) Can I name both a REALTOR[®] (principal) and his firm as respondents in an arbitration request?

Yes.

(5) What is the advantage to naming both a REALTOR[®] (principal) and his firm as respondents in an arbitration request?

Naming a REALTOR[®] (principal) as respondent lets the complainant know who will appear at the hearing, and naming the firm as respondent increases the chances of collecting any resulting award.

(6) If a REALTOR[®]'s firm is named as the respondent in an arbitration request and refuses to arbitrate, who can be named as respondent in a complaint alleging that Article 17 has been violated?

Any REALTOR[®] (principal) who holds membership locally or who enjoys MLS participatory rights through the association can be named as respondent.

(7) If only a REALTOR[®]'s firm is named as respondent in an arbitration request, who is served with notices?

Any REALTOR[®] (principal) in the firm may be served with notices.