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# Mossgreen ‘won’t be the last’ until trust accounts compulsory

The Auctioneers and Valuers Association (AVAA), a trade body representing Australian auction houses, has called for client accounts to become a compulsory legal requirement in the country.



Alex Capon  
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It has said state governments in Australia should move quickly to protect vendors by making such accounts (known as ‘trust accounts’ in Australia) mandatory for salerooms.

AVAA president Tim Slattery said: “While it is already compulsory in Queensland for auction houses to run audited trust accounts, and many in the industry have joined the chorus for uniform regulation, vendors still remain exposed in Victoria, New South Wales and Western Australia.”

The association has welcomed a recent draft proposal by the Western Australia government for mandatory trust accounts which follows a consultation that took place at the end of 2017. “We encourage other states to follow suit,” said Slattery.

The move by the AVAA comes after auction house Mossgreen went into administration in December. Those vendors still owed money for previous sales are likely to get between 0-20 cents in the dollar, according to administrator BDO’s estimates.

“*Vendors assume an account is in place – they don’t ask the question*”

“We urge these state governments to take swifter action to help protect vendors against potential solvency issues that can befall even high-profile auction houses such as Mossgreen,” said Slattery.

“Mossgreen isn’t the only insolvency event for an auction house that resulted in vendors losing money and won’t be the last as long as there is no requirement to have a trust account.

“The real challenge the wider industry faces is that vendors simply assume that a trust account is in place. They don’t ask the question because it is standard for other industries where an agent handles funds on behalf of a client.”

Melbourne auction house Leonard Joel, meanwhile, has announced it will now introduce a seven-day settlement period for private collections valued at above Aus\$250,000, a service which it says “developed in direct response to recent industry events”.

Managing director John Albrecht said: “This new service is, in my opinion, the best and most secure means by which to manage vendor funds while the industry and regulatory bodies work through whether fine art and antique auctioneers should fall under a statutory regime and operate legally regulated trust accounts, similar to that of real estate agents and lawyers.”