



**Circular No 133/2011  
Dated 27 June 2011**

To all Members of the Malaysian Bar

**Practice of Inflating Purchase Price in Sale and Purchase Agreements for the Purpose of  
Obtaining a Higher Loan Amount**

The Conveyancing Practice Committee (“CPC”) of Bar Council recently received a query from a Member of the Bar on how to deal with the practice of inflating purchase price in sale and purchase agreements for the purpose of obtaining a higher loan amount.

CPC notes that in general, a request to inflate the purchase price in a sale and purchase agreement originates from a purchaser who wishes to fraudulently misrepresent to his financier that he is buying the property at the inflated price so that he can secure a higher loan.

After having considered advice given by the Criminal Law Committee of Bar Council, CPC is of the view that:

- (a) in a transaction where both the vendor and the purchaser agree to increase the purchase price for the purpose of enabling the purchaser to obtain a higher loan, the vendor or the purchaser and/or both may be guilty of the offence of cheating or fraud, or abetment, as the case may be, which are offences punishable under the Penal Code;
- (b) if a solicitor acts, either for the vendor or the purchaser, and has full knowledge of the increase in price for the purpose stated in (a), and prepares the sale and purchase agreement or related “side arrangements”, the solicitor may also be guilty of the offence of cheating or fraud, or abetment, as the case may be, which are offences punishable under the Penal Code; and
- (c) in any event, a solicitor who acts in the circumstances described in (b) may be guilty of misconduct within the definition ascribed to it in section 94(3) of the Legal Profession Act 1976.

Members are therefore advised not to be a party to such a practice.

Thank you.

**Abdul Murad b Che Cik  
Chairperson  
Conveyancing Practice Committee**