



UPCOMING SEMINAR
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Partnerships

Dubai Land Department signs escrow account agreement with National Bank of Dubai

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What is an Escrow account?

Escrow is a legal arrangement in which an asset (often money, but sometimes other property) is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract such as payment of a purchase price. Upon that event occurring, the escrow agent will deliver the asset to the proper recipient. Otherwise the escrow agent is bound by his or her fiduciary duty to maintain the escrow account. Put in simple terms an escrow account is a trust account held in the borrower's name to pay obligations such as property taxes.

How is it used in the UAE?

We have the new trust account law. There are countless people who have bought from the many developments of the UAE, predominantly Dubai, and are now facing a long wait to move in due to construction delays. As all properties were sold off-plan, there are many that are yet to be completed and even some that haven't been started yet! This is worrying for people who are choosing to buy property as an alternative to the rental issues. Enter law no. 8 this year that stipulates the creation of Escrow or

Trust accounts which buyers will pay their money into and the developers won't get access to until they complete specified phases of the development up to the correct standard. This should make the market friendlier to buyers but this law is so new, only one developer has registered a trust at this point.

The National Bank of Dubai (NBD) will be the only bank in the UAE to offer Escrow Accounts both within conventional and Islamic banking, thereby maximizing choice for customers. The new laws and agreements don't just benefit consumers; developers using NBD Online will have access to account management and have a dedicated team on hand, designed to support the operations for these account services.

The NBD is supporting Government initiatives to raise the standard of the Dubai real estate industry and ensure the continued prosperity of Dubai's property market. Under the new Law No. 8, property developers in Dubai must place project funds in escrow, or trust, until milestones in construction are achieved, then independently verified by the escrow account bank. These escrow accounts will be regulated by the Dubai Land Department.

New regulations will establish an escrow framework for property developers and greatly enhance the confidence of investors and owners in the long-term stability of the Dubai real estate sector. The Dubai Land Department has taken proactive steps to regulate the real estate industry to ensure the highest of standards are adhered to while raising the bar of the industry and encouraging both domestic and international investment.

Points to ponder

1. Does this escrow account improve the credibility of the market? Would I be able to do more business with construction companies with more confidence knowing they are supplying to a project which has an escrow account.
2. Could this escrow account be used on a smaller scale for local companies as well?

Source acknowledgements

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