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THE  
**GUIDE**  
TO BUYING A PROPERTY



## What can you afford

The first thing you need to do is decide how much you can afford. You will need to look at how much money you have available yourself and how much you can borrow. There are a number of different financial institutions which offer loans to people buying a property, for example, building societies and banks. You should find out if you are able to borrow money and if so, how much. Before finally deciding how much to spend on a property, you need to be sure you will have enough money to pay for all the additional costs. These include:-

- survey fees
- valuation fees
- Stamp Duty Land Tax
- land registry fee
- local authority searches
- fees, if any, charged by the mortgage lender or someone who arranges the mortgage for example, a mortgage broker
- the buyer's solicitor's costs
- VAT
- removal expenses
- any final bills, for example, gas and electricity, from your present home which will have to be paid when you move.

For more information about Stamp Duty Land Tax, go to the Directgov website at [www.directgov.uk](http://www.directgov.uk) and for more information about Stamp Duty Land Tax in Northern Ireland, go to the NI Direct website at [www.nidirect.gov.uk](http://www.nidirect.gov.uk).

You should also take into account the running expenses of the property you wish to buy. These may include:-

- community charge/council tax (in England and Wales)
  - water rates (in England and Wales)
  - rates (in Northern Ireland)
  - ground rent, if the property is leasehold
  - service charges, if the property is a leasehold flat
  - insurance costs, including life insurance, buildings and contents insurance
  - heating bills
- An energy performance certificate can help you work out how energy efficient your property is.

You can find out more about energy performance certificates in England and Wales on the Directgov website at: [www.direct.gov.uk](http://www.direct.gov.uk).

In Northern Ireland, go to the website of the Department of Finance and Personnel (NI) at [www.dfpni.gov.uk](http://www.dfpni.gov.uk).

You will have to pay a deposit on exchange of contracts a few weeks before the purchase is completed and the money is received from the mortgage lender. The deposit is often 10% of the purchase price of the home but it can vary.

## Finding a property

There are a number of ways in which you could find a property to buy:-

- looking on the internet.
- using estate agents
- looking at the property pages in local newspapers
- contacting house building companies for details of new properties being built in the area

## Which property

When you find a property you should arrange to look at it to make sure it is what you will need and to get some idea of whether or not you will have to spend any additional money on the property, for example, for repairs or decoration. It is common for a potential buyer to visit a property two or three times before deciding to make an offer.

## Warranties for newly-built properties

If the property is a newly-built property, check whether it has a Buildmark warranty. Buildmark warranties are organised by the National House-Building Council (NHBC) which is an independent organisation with over 20,000 builders of new houses on its register. Before being accepted onto the NHBC register, builders must be able to show that they are technically and financially competent and they must also agree to keep to NHBC Standards.

The Buildmark scheme covers homes built by NHBC registered builders once the NHBC has certified them as finished. The scheme will, for example, protect your money if the builder goes bankrupt after contracts have been exchanged but before completion. It also covers defects which arise because the builder has not kept to NHBC Standards. For more information, go to the NHBC website at: [www.nhbc.co.uk](http://www.nhbc.co.uk).

## Is the property leasehold, freehold or Shared Freehold?

### Freehold property

If the property is freehold, this means that the land on which the property is built is part of the sale and no ground rent or service charge is payable.

### Leasehold property

A property may be leasehold, which means that the land on which the property is built is not part of the sale. You have to pay ground rent to the owner of the land - who is called the freeholder.

The length of a lease can vary and you should check that the length of the lease on the property you are interested in buying is acceptable to the mortgage lender. You should consult an experienced adviser, for example, at a Citizens Advice Bureau.

In addition to ground rent on a leasehold property, you may have to pay an annual service charge.

This usually happens with a flat. The service charge covers such items as maintenance and repairs to the buildings, cleaning of common parts and looking after the grounds.

A group of leaseholders living in the same building may have a right to jointly buy the freehold of the building or take over its management.

In England and Wales, you can get further advice about leasehold from:-

The Leasehold Advisory Service (LEASE)

Maple House

149 Tottenham Court Road

London W1T 7BN

Tel: 020 7383 9800

Fax: 020 7383 9849

E-mail: [info@lease-advice.org.uk](mailto:info@lease-advice.org.uk)

Website: [www.lease-advice.org.uk](http://www.lease-advice.org.uk)

There is also a useful leaflet on leasehold rights in England and Wales. Go to the website of the Communities and Local Government Department at: [www.communities.gov.uk](http://www.communities.gov.uk).

To get the leaflet in different languages and different formats, email [alternativeformats@communities.gsi.gov.uk](mailto:alternativeformats@communities.gsi.gov.uk).

In England and Wales, the Federation of Private Residents' Associations may also be able to help if a group of leaseholders want to set up a residents' association. It can also provide legal advice and other information to its member associations. Its contact details are:-

Federation of Private Residents' Associations (FPRA)

PO Box 1027

Epping

CM16 9DB

Tel: 0871 200 3324

E-mail: [info@fpra.org.uk](mailto:info@fpra.org.uk)

Website: [www.fpra.org.uk](http://www.fpra.org.uk)

### Shared freehold property (commonhold)

If the property is Shared Freehold, this means that you can buy the freehold of a flat and own common parts of the building jointly with the owners of other flats in the building

In commonhold a ground rent or service charge is not payable. However, a share of the commonhold association's expenditure on maintenance, insurance and administration will be payable for the common parts of the building.

## Making an offer

When you decide you would like to buy a particular property you do not necessarily have to pay the price being asked for it by the owners. You can offer less if, for example, you think there are repairs to be done which will cost money.

If the property is being sold through an estate agent, you should tell the estate agent what you are prepared to pay for the property. The estate agent will then put this offer to the owners.

If the owners do not accept the first offer put to them by you, you can decide to make an increased offer. There is no limit on the number of times you can make offers on a property. If you make a written offer it will always be made subject to contract. This means that you will not be committed to the purchase before finding out more about the state of the property. If you make an oral offer this is never legally binding.

### When the offer has been accepted

When your offer for the property has been accepted you will have to consider the following:-

- whether a holding deposit is payable
- arranging a mortgage - see below
- whether a survey is necessary - see below
- who will do the necessary legal work - see below
- whether you want to buy with someone else - see below.

## Holding deposits

Once the owners have accepted your offer the buyer may be asked to pay a small deposit to the estate agent. This is usually between £500 and £1000. It is meant to show that you are serious about going ahead with the purchase. It is repayable if the sale does not go ahead.

## Arranging a mortgage

If you have not already begun to arrange a mortgage, you should start to do this now. It should take about three weeks from the application for the mortgage to the formal offer being made by the lender. However, this timescale may vary.

Whoever agrees to lend the money will want to have the property valued. This is to make sure that the lender could get the loan back if for any reason you stopped paying your mortgage and the house had to be sold again. The valuation will be done by a surveyor on behalf of the lender but you will have to pay for this valuation. The fee will be payable in advance, usually when the you send a completed mortgage application form to the lender.

If the amount of money to be borrowed is more than a certain percentage of the valuation of the property (usually 75-80%), your lender may make it a condition of the loan that you take out extra insurance to cover the extra amount. You pay a single premium to your lender which is usually added to the loan. This is known as a higher lending charge (or mortgage indemnity guarantee).

## Arranging a survey

The valuation which is done for whoever is lending the money is not a survey. You should consider whether or not to have an independent survey carried out in addition to the valuation. The survey would not only consider the value of the property but would also examine the structure of the property and should identify any existing or potential problems.

There are two levels of survey that you can choose between:-

- a full structural survey. This is suitable for a property which is large, more than 80/90 years old or in doubtful condition
- an intermediate or 'house/flat buyers report' that gives a report on the condition of the parts of the house that are easy to see and to get at and may recommend further tests or investigations, for example, a specialist check for woodworm. This is particularly suitable for properties built this century which appear reasonably sound. It is much cheaper than a full structural survey.

It is possible for you to use the same surveyor who does the valuation to carry out the survey and this may be cheaper. However, you can use a different surveyor if you wish.

If the surveyor reports that there are some problems with the property, you will have to consider whether you still want to go ahead with the purchase or want to negotiate further with the seller about the price. The surveyor will usually advise you as to how any problems they have identified should be dealt with and the likely costs of this. You can find more useful information about property surveys at [www.rics.org](http://www.rics.org).

## Choosing who is to do the legal work (conveyancing)

The legal process of transferring the ownership of the property from the present owner to the buyer is known as conveyancing. You should decide who you want to do the conveyancing work.

- use a solicitor; or
- use a licensed conveyancer.

### Using a solicitor

Most firms of solicitors offer a conveyancing service. Although all solicitors can legally do conveyancing, it is advisable to choose a solicitor who has experience of this work.

### Using a licensed conveyancer (England and Wales only)

You can use a licensed conveyancer to do your conveyancing. Licensed conveyancers are not solicitors but are licensed by the Council for Licensed Conveyancers.

If you want to find out if a local conveyancer is licensed you can write to:

The Council for Licensed Conveyancers  
 16 Glebe Road  
 Chelmsford  
 Essex CM1 1QG  
 Tel: 01245 349599  
 Fax: 01245 341300  
 E-mail: [clc@clc-uk.org](mailto:clc@clc-uk.org)  
 Website: [www.conveyancer.org.uk](http://www.conveyancer.org.uk)

### Finding out how much it will cost

Before making a choice as to who will do the conveyancing, you should be advised to find out the probable costs of the conveyancing. It is important to contact more than one solicitor or licensed conveyancer as there is no set scale of fees for conveyancing. You should:-

- check whether the figure quoted is a fixed fee or depends on how much work is involved
- check that the figure includes stamp duty, search fees, land registration fees, expenses and VAT and get a breakdown of these costs
- find out what charges, if any, will be made if the sale falls through before contracts are exchanged.

# Steps in the legal work of buying a property

Although it is impossible to give a precise idea of how long the legal work involved in buying a property takes, it is possible to offer guidelines. From having an offer accepted to exchange of contracts can take up to seven weeks and from exchange of contracts to completion can take up to four weeks. However, if there are any problems the time taken may be longer.

## Enquiries made by the solicitor or, in England and Wales, licensed conveyancer

Once you have instructed the solicitor or, in England and Wales, a conveyancer, the seller's solicitor or the licensed conveyancer draws up a contract which will eventually be signed by you and the seller. However, before the contract can be signed, your solicitor or licensed conveyancer must make sure that there are no problems with the ownership of the property, rights of way, access, or future developments in the area that might affect the property. This is called 'making enquiries and searches'. The solicitor or licensed conveyancer makes the enquiries and searches as follows:-

- local searches. These are enquiries made to the local authority (or in Northern Ireland, the appropriate government department) about any matters which affect the property which involve the local authority, such as whether there is a compulsory purchase order on the property. Local searches also include questions about any proposed changes or development in the area that might affect the property such as roads, housing, shops. During the local search, the local Land Charges Register (Registry of Deeds in Northern Ireland) is also checked. This gives information about any matter which affects the property such as tree preservation orders, if it is a listed building or in a conservation area; and
- enquiries made to the seller by the solicitor or, in England and Wales, a licensed conveyancer. These are a set of standard questions about the property, boundaries, neighbour disputes and fixtures and fittings that will remain in the property. There may also be additional questions that the solicitor or licensed conveyancer thinks are necessary, such as the transferability of guarantees for any work done on the house, for example, a damp proof course; and
- from the Land Registry.

## Arranging to pay the deposit

Whilst the solicitor or, in England and Wales, a licensed conveyancer is making the enquiries, you should sort out how you will pay the deposit that has to be made when the contracts are exchanged. This deposit is often 10% of the price of the home but it can vary.

If you are also selling a house, it is usually possible to put the deposit on the property being sold towards the deposit on the property you are buying.

If raising the deposit is a problem, you could consider borrowing the money for the deposit from relatives or you could try to get a bridging loan from a bank. However, the amount of interest you will have to pay for a bridging loan will be high and you should check how much this arrangement will cost. Discuss your options with your solicitor or licensed conveyancer.

## Insuring the property

You should make sure that buildings insurance is arranged from the date of exchange, because once contracts have been exchanged you are responsible for the property.

You may be able to get information on buildings insurance from your mortgage lender, solicitor or, in England and Wales, a licensed conveyancer.

## Exchange of contracts

The final contract between you and the seller is prepared when:-

- the solicitor (or licensed conveyancer) and you are satisfied with the final outcome of all the enquiries
- any surveyor's report has been received and any necessary action taken
- the formal mortgage offer has been received
- arrangements about the payment of the 10% deposit have been made
- the date of completion has been agreed.

You and the seller each have a copy of the final contract which you must sign. These signed contracts are then exchanged. At exchange of contracts both you and the seller are legally bound by the contract and the sale of the house has to go ahead. If you drop out, you are likely to lose your deposit.

You should make arrangements for the supply of gas, electricity and telephone service and make sure that the seller is arranging for final meter readings to be made.

## Completion

Completion of the purchase usually takes place about four weeks after exchange of contracts, although it can be earlier. On the day agreed for completion:-

- the mortgage lender releases the money
- the deeds to the property are handed over to your solicitor or licensed conveyancer
- the seller must hand over the keys and leave the property by an agreed time.

The solicitor or licensed conveyancer (in England and Wales only) will usually send their account to you on, or soon after, the completion date.

# Mortgages

If you wish to buy a home you may be able to borrow money to do this. This is called a mortgage. The loan is for a fixed period, called a term and you have to pay interest on the loan. If you do not keep up the agreed repayments, the lender can take possession of the property.

## Types of mortgages

There are several types of mortgage available. The most common ones are described below:

### Repayment mortgage

This is a mortgage in which the capital borrowed is repaid gradually over the period of the loan. The capital is paid in monthly instalments together with an amount of interest. The amount of capital which is repaid gradually increases over the years while the amount of interest goes down.

### Interest only mortgage

With this type of mortgage, you pay interest on the loan in monthly instalments to the lender. Instead of repaying the loan each month, you pay into a long-term investment or savings plan which should grow enough to clear the loan at the end of the mortgage term. However, if it doesn't grow as planned, you will have a shortfall and you will need to think about ways of making this up.

There are three main types of interest-only mortgages. These are:

- an endowment mortgage. This mortgage is made up of two parts - the loan from the lender and an endowment policy taken out with an insurance company. You pay interest on the loan in monthly instalments to the lender but do not actually pay off any of the loan. The endowment policy is paid monthly to an insurance company. At the end of the mortgage term, the policy matures and produces a lump sum which should pay off the loan to the lender. In some circumstances, an endowment policy may produce an additional lump sum. However, there is also a risk that it will not be worth enough to pay off the loan at the end of the mortgage term. If you have been told by your endowment provider that your policy will not be enough to pay off your loan, you should seek independent financial advice. You can get information about dealing with endowment policies from the Money Advice Service website at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)
- a pension mortgage. This mortgage is mainly for self-employed people. The monthly payments are made up of interest payments on the loan and contributions to a pension scheme. When the borrower retires, there is a lump sum to pay off the loan and a pension
- an ISA mortgage. With an ISA mortgage, you pay interest to the lender, and contributions to an Individual Savings Account (ISA) which should pay off the loan.

## Where to get a mortgage from

A mortgage could be available from a number of different sources. Some of the available options are:-

- building societies
- banks
- insurance companies. They only provide endowment mortgages (see above)
- large building companies might arrange mortgages on their own new-build homes, for example, in England, under the NewBuy scheme
- finance houses
- specialised mortgage companies.

For some groups of people, such as first-time buyers and key workers, it may also be possible to borrow some of the money you need to buy a home from other, government-backed sources. You will usually need to borrow the rest of the money from a normal mortgage lender such as a bank or building society.

As well as standard mortgage deals, lenders might also offer deals which are especially designed for people who don't qualify for a standard mortgage.

This type of deal is known as a 'sub prime' or 'adverse credit' mortgage. They are aimed at people who have had financial difficulties or credit problems in the past. For example, you might have had a previous home repossessed, have a County Court Judgment (CCJ) or have been declared bankrupt. You might also have difficulty in proving that you have a regular or reliable income.

Sub prime and adverse credit mortgages usually charge a higher rate of interest than standard mortgages. Lenders may also limit the amount of money they are prepared to lend you.

Before taking out a sub prime or adverse credit mortgage, you should get some independent financial advice.

If you're thinking about taking out a mortgage you should make sure you look into all the different options available, and that you only borrow what you can afford to pay back. If you do not keep up the agreed repayments, the lender can take possession of the property.

More information about mortgages is available from the Money Advice Service website at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

If in doubt, you may want to consult an independent financial adviser. For help with finding a financial adviser, visit the Money Advice Service website at: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

## Using a broker to get a mortgage

Instead of going directly to a lender such as a building society for a mortgage, a broker could be used. A broker may be an estate agent, or a mortgage or insurance broker. They will act as an agent to introduce people to a source of mortgage loan to help them buy a home.

You may want to use a broker because it can save you time shopping around. However, some lenders offer products direct to customers which a broker may not be in a position to offer. So, it may be best to shop around to see what else is available.

There are rules about how much a broker can charge for their services. Also, brokers must not discriminate against you because of things like your disability, race, religion or belief, sex or sexuality when they are offering you their services.

For more information about mortgage brokers, go to the Money Advice Service website at: [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

## Making a complaint about a mortgage lender

If you want to complain about a mortgage lender or broker, you should first discuss the problem with them, and then consider making a formal complaint. If you think the mortgage lender or broker has discriminated against you, you can complain about this as well. Each lender or broker should have its own internal complaints procedure. If you have followed this procedure and are still not satisfied, you can take your complaint to the Financial Ombudsman Service. The contact details are:-

Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London  
E14 9SR  
Tel: 0845 080 1800  
Fax: 020 7964 1001  
Email: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)  
Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)