

PORTER
DODSON

Commercial & Private Law

Buying and Selling Houses **What's it all about?**



Our intention is to make the house buying/selling process as stress-free as possible and to provide you with maximum support throughout.

Whether this is your first time or you have been through it before, we hope this booklet will explain the conveyancing process – for both buying and selling – and clarify what you will need to do and think about, as well as what we will do for you.

Each side of the process (buying** and **selling**) is colour-coded for ease of understanding.**

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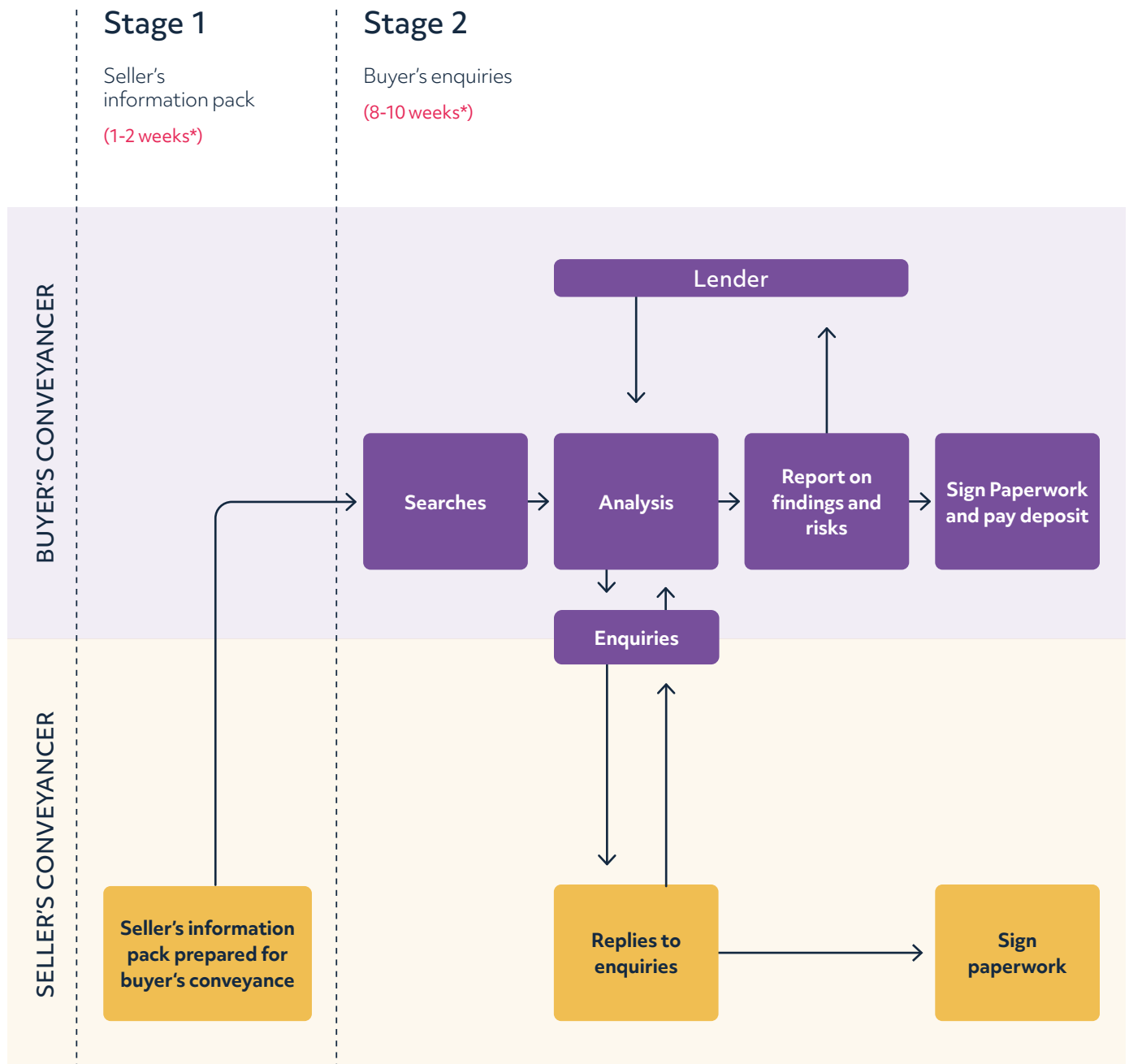
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Stages 1 and 2

Up to Exchange of Contracts

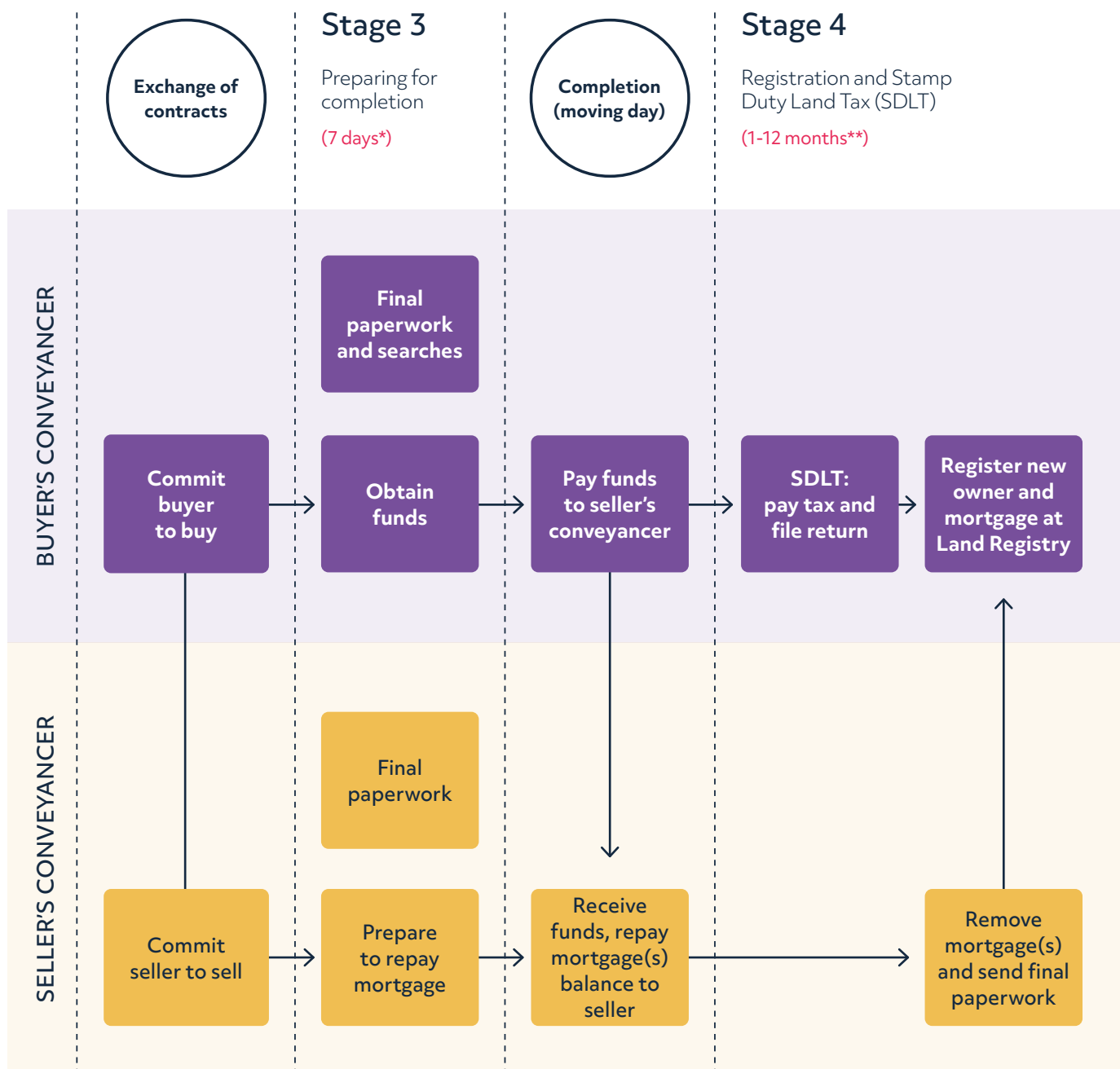


See pages 6-12 for further details

* typical timescale (based on a freehold house). Flats and other leasehold properties are more complicated. Searches and long chains can also cause delays.

Stages 3 and 4

Exchange, Completion and Registration



See pages 4-10 for further details

* typical timescale (based on a freehold house). Flats and other leasehold properties are more complicated. Searches and long chains can also cause delays.

** typical timescale. High end of the scale tends to be for properties being registered for the first time (such as new build or very old properties).

2a. Selling: What you need to know

- Seller's conveyancer starts process by gathering information from seller and from property's title documents to form seller's information pack ('contract pack').
- Contract pack is sent to buyer's conveyancer.
- Buyer's conveyancer drives rest of process up to Exchange.

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What the seller has to tell the buyer

There are three items that the seller has to provide to the buyer:

1. Property Information Form

- Standard way of seller telling buyer certain things about the property (but not physical defects).
- Buyer's conveyancer often asks clarifying questions.

See page 25 for further details.

Facts seller knows about the property

- Boundaries, parking, rights & obligations
- Informal arrangements
- Charges payable
- Occupiers
- Utilities
- Protected trees
- Guarantees/warranties
- Energy efficiency

Things that have occurred during seller's ownership

- Disputes & complaints
- Notices & proposals
- Extensions/alterations
- Changes of use
- Insurance history
- Flooding & other environmental issues

2. Fittings & Contents Form

- Seller tells buyer what they are taking and what they are leaving.
- Buyer's conveyancer may ask clarifying questions.

See page 24 for further details.

3. Official plan of the property

- Seller has to check plan for accuracy before it is added to seller's information pack.

Buyer's Deposit

- On exchange, buyer pays seller a deposit (normally 10%).
- Buyer may ask to pay less – especially if they or someone below them in chain are first time buyers (who are more likely to need mortgage of over 90%).
- If buyer offers less than 10%, seller has to decide whether to accept. Decision may be influenced by size of deposit offered and how committed they think buyer is.

Risk if less than 10%

Seller could be out of pocket if buyer pulls out

- Rare, but seller might have to sue to get balance of 10% they are entitled to.
- Could be costly and end up leaving them out of pocket.

Risk if seller insists on 10%

Buyer may have to arrange bridging loan with their bank

- Might cause delay or even prevent buyer from proceeding.

Practicalities for seller to deal with

Redeeming existing mortgage(s)

- a) Will sale proceeds be enough to repay mortgage (including redemption fees and early repayment charges)?
- b) If interest is charged monthly, when is best time in month to complete?

Completion date?

All parties in chain suggest possible dates (flexibility required!)

Between exchange and completion

All parties arrange removals and for utilities to be transferred and meters read on completion.

2b. Buying: What you need to know

- Most work takes place in Stage 2, which is about buyer and lender (if any) finding out more about the property and its history.
- Buying a property is risky, and it is up to buyer to assess risks themselves before deciding whether to commit to purchase.
- Buyer's conveyancer will help by reporting to buyer/ lender what they have found but buyer will need to take into account own checks and any they have asked other professionals to do before deciding to proceed.

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What buyer's conveyancer can't help with

Is property in good physical condition?

Buyer's conveyancer will use their experience to analyse and question information obtained.

- **Not** part of a conveyancer's job to comment on physical condition.
- Buyer will need to pay for a surveyor to carry out an inspection unless prepared to take risk that there may be defects in property.
- Seller does NOT have to tell buyer if there are any defects.



Is property fit for buyer's purposes?

Buyer's intentions for using and enjoying the property – and its value – could be restricted by future actions or decisions of others or something which did not come to light in the conveyancing process.

For example:

- Need for local authority consent to a change of use or alterations;
- Impact of development of nearby properties, land or roads.

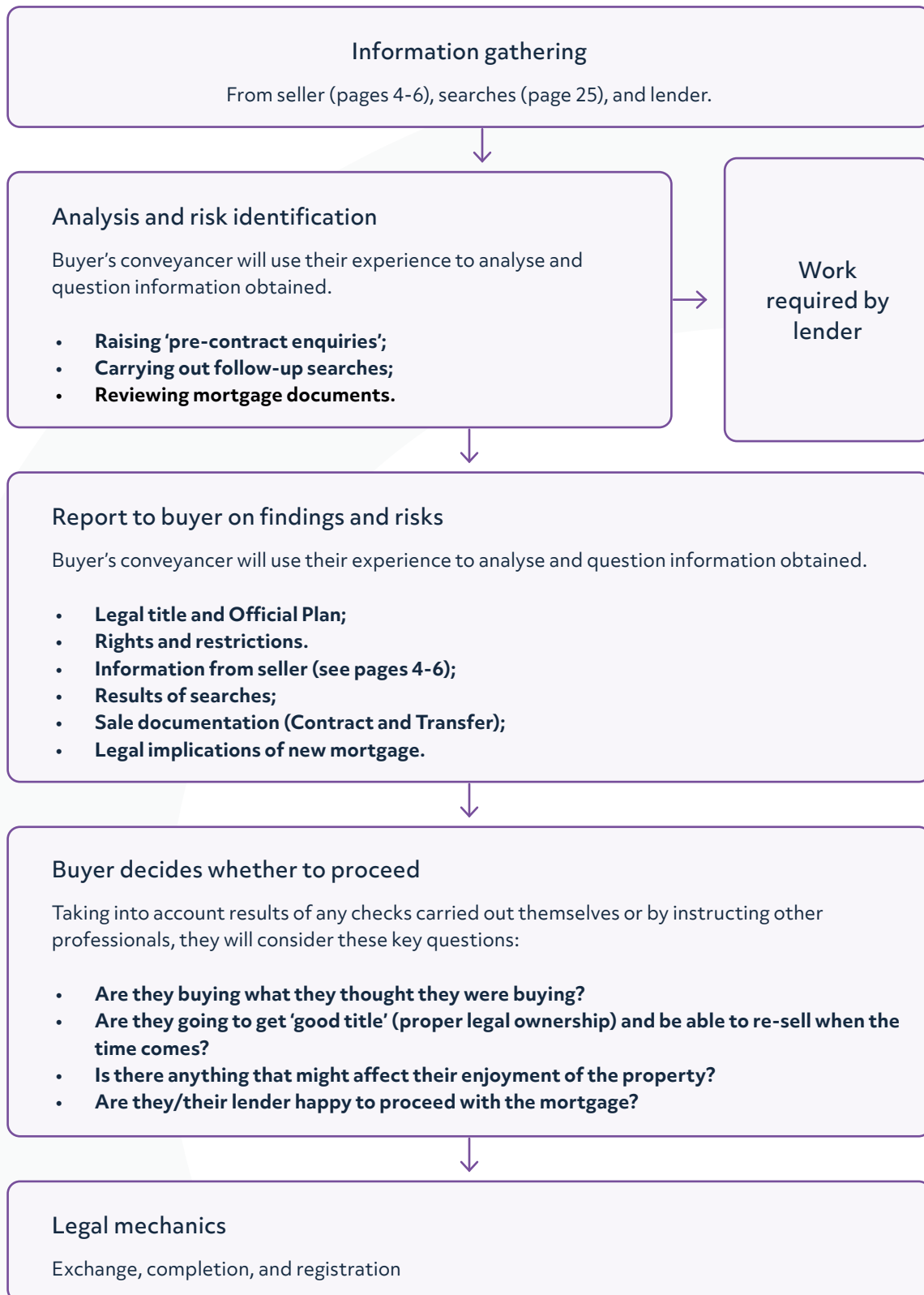
Buyer will need to speak to appropriate specialists about such issues.



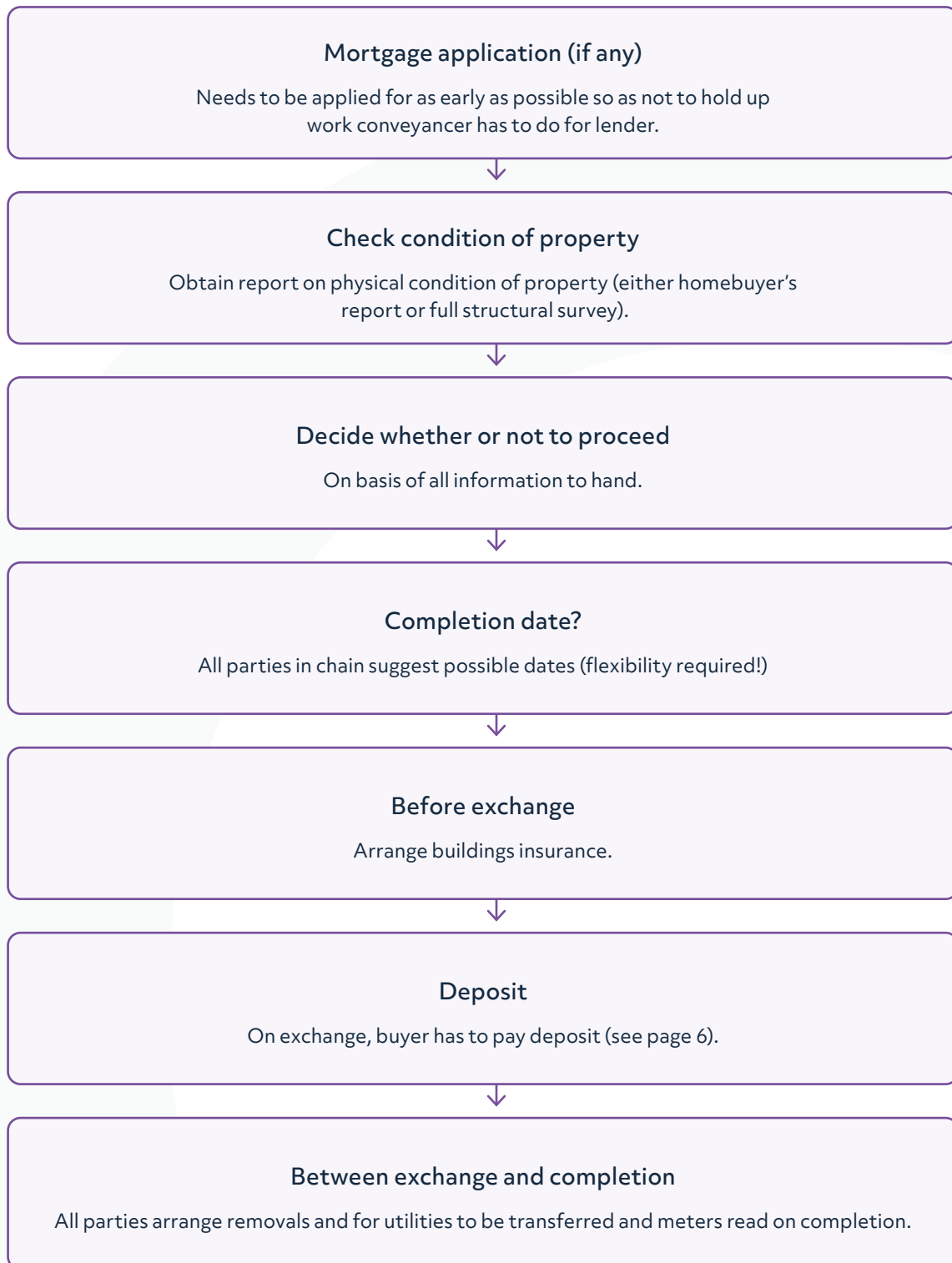
Is the new mortgage right for the buyer?

Only a financial advisor can help answer this.

What buyer's conveyancer will do



Practicalities for buyer to deal with



2c. Buying with one or more other people

- If buying with one or more other people, each will be a co-owner.
- Two ways in which ownership can be shared:
 - Option A: 'tenants in common'
 - Option B: 'joint tenants'
- 'Tenant' is not the same as a tenant renting from a landlord, but a term describing options for sharing ownership.
- Buyers' decision which option is right for them. Guidance here should help, but please ask if unsure.
- Keep decision under review, in case circumstances change.

Buying with one or more other people

Option A ('tenants in common')

- Each person will own a **separate, individual, fixed share** in the property (normally expressed as a percentage).
- Shares do not have to be equal.

Option B ('joint tenants')

- **Both/all of you will own the whole of the property together, effectively as a single owner.**
- None of property is solely owned by any co-owner

Implications?

On sale or separation

- **Would receive your specified share of proceeds** (as a starting point).

- **Would share proceeds equally**, regardless of original contributions to purchase price.

On death of one of the owners

- **Each co-owner can choose what to do with their share in their Will** (whatever their co-owners choose to do in theirs).
- Deceased's share passes in accordance with their Will.
- If no Will, rules on dying without one (intestacy) apply.

- **Deceased's interest passes automatically to remaining co-owner(s).**
- Would happen on subsequent deaths until only one co-owner remained. Property would then form part of their estate on their death (known as 'right of survivorship').

Important points to note

Option A ('tenants in common')

- **Declaration of trust** is strongly advised (especially if shares are unequal).
 - Records basis of ownership in writing.
 - Would be used on subsequent sale/separation to work out entitlement to sale proceeds.
- **Make a Will.**
 - Specify who will get your share.
 - Avoids unwanted consequences of dying without a Will.

Option B ('joint tenants')

- **Change of circumstances**
 - Can change from option B to A at any point in future – called 'severing the joint tenancy'.
 - One owner can sever joint tenancy without agreement of the other(s);
 - Joint tenancy may be severed automatically in some situations, e.g. one owner becomes bankrupt.

Which is appropriate?

Option A ('tenants in common') is more appropriate in these circumstances:

- **Unequal contributions** to purchase price from each co-owner. May want to preserve this and have it recognised on future sale/separation.
- **Flexibility when making Wills** – where one or more co-owners wants to be free to choose what happens with their share. Particularly useful **if want children – especially those from a previous relationship – to benefit from share** rather than all going to co-owner(s).

Option B ('joint tenants') is often more appropriate for married couples/civil partners

- **Right of survivorship** makes it easy to inherit each other's share.

See pages 6-12 for further details

Examples

Example 1 Angie, Bev and Carol buy a buy-to-let property together for £200,000. Angie contributes £100,000, Bev and Carol £50,000 each. Their Wills leave everything to their children Amy, Beth and Chris respectively. Angie dies when the property has increased in value to £240,000. Bev dies later, when the property is worth £300,000.

Example 2 David and Elly get married and buy a home together for £200,000. David contributes £50,000, Elly £150,000. They separate, and the house is sold for £300,000.

Example 3 As example 2, except the marriage does not fail, but Elly dies (property valued at £300,000). Each has a son from a previous relationship: Darren and Evan respectively. David's Will leaves everything to his son Darren and to Elly equally. Elly's Will leaves everything to her son Evan and to David equally.

Option A ('tenants in common')

Example 1 On Angie's death, her share passes to Amy (as in her Will). Amy, Bev & Carol are now co-owners, with Amy's share worth £120,000 (50%) and Bev's & Carol's £60,000 each.

On Bev's death, her 25% share (worth £75,000) passes to Beth, who becomes co-owner with Amy (50%: £150,000) and Carol (25%: £75,000).

Example 1 David is entitled to £75,000 (25% of £300,000); Elly £225,000 (75%).

Example 3 Elly's 75% share (worth £225,000) is split 50/50 between her son Evan and David.

Option B ('joint tenants')

Example 1 On Angie's death, Bev and Carol automatically own the property together (Amy receiving nothing).

On Bev's death, Carol becomes the sole owner (Beth receiving no interest in it). The property (now worth six times Carol's original contribution to its purchase), will pass to her son Chris on her death.

Example 2 David and Elly are each entitled to £150,000 from the sale proceeds.

Example 3 David inherits whole house (worth £300,000). Elly's son Evan gets nothing (unless Elly had other assets in her own name, such as property owned under Option A).

2d. Stamp Duty Land Tax (SDLT) on your purchase

- SDLT is a self-assessed tax on you, not the property. It requires you to submit at least one tax return, except very small transactions (we will tell you if this is so). Additional forms may also need completing.
- Return must be filed (and any tax paid) within 14 days of 'Effective Date' (usually date of completion, but could be earlier - see page 28).
- Page references below are to glossary at end of booklet, which will help you answer the key questions below.

Key questions we need you to answer

SDLT questions in our 'Purchase Information Form':

1. **Do you want us to submit the return on your behalf?**
 2. **What is the total price (page 29)?**
 3. **Are buyer and seller connected ('connected parties') (page 28)?**
 4. **Are there any linked transactions (page 28)?**
 5. **Do you have any other residential properties (page 29)?**
 6. **Are all of you First Time Buyers (page 28)?**
 7. **Is there an annexe or other separate living accommodation (page 28)?**
-

Submitting return: why it makes sense for us to do it

Much information required will be known to us from doing your work.

We cannot register your ownership until written confirmation that HMRC have received return; if we submit it, HMRC will do this directly to us.

What will we do if you ask us to submit return?

You will be authorising us to be your tax agent for this transaction only. We will:

- **Complete SDLT forms based on information you give to us;**
- **Calculate estimated tax payable;**
- **Send forms to you to check/sign (before exchange);**
- **Send forms to HMRC (after completion) and arrange payment of tax.**

You remain responsible for the return. You will need to sign and return it promptly when asked (usually before exchange). In doing so, you will be declaring it is correct/complete to best of your knowledge.

Tax payable: risk of increase

Our calculation of SDLT will be an estimate (based on what you tell us).
The amount could change later.

For example:

- **HMRC have 9 months (up to 21 years in some cases) to query tax.**
- **More tax may be due (and more returns) if linked transaction or further payments received by you.**

You would have to deal with these situations yourself and pay any extra tax due (though some people choose to instruct an accountant).

Warning: consequences of late/inaccurate returns

You will incur a penalty of at least £100 (plus interest) if return is late. This will also delay registration of ownership at Land Registry.

You must give us accurate and complete information; we will not check it. If in doubt, tell us anything relevant. If you do not provide everything we ask for, return will be rejected and returned for correction, and purchase may be at risk.

You could be liable to sizeable penalties and/or criminal prosecution if return is inaccurate and tax has been underpaid.

Other important points

Buying with others: each of you is fully liable for tax due (so HMRC can seek payment from any one of you if need be).

Acting as your tax agent: this is for purposes of submitting return only; it does not make us your agent generally.

Tax/penalties/interest/other charges you incur: we are not liable.

Supporting documents: you must keep for at least 6 years, even if you sell the property.

2e. Buying with a mortgage: What you need to know

- You need to be certain you understand the implications of your new mortgage. Set out here are some of the things you should think about.
- We can advise you on the legal effect of your mortgage's terms and conditions, but we cannot help you decide if it is right for you, as we are not authorised to provide financial advice: consult a financial advisor for this.

Key issues you need to consider

Please read these sections in the glossary (pages 29-31):

1. **Buildings insurance.**
 2. **Interest-only mortgages.**
 3. **Mortgage valuation (especially its limitations).**
 4. **Occupiers' consent.**
-

Understanding your mortgage offer

1. 'Cooling off' period (if applicable)

- You will have 7-14 days from date you receive offer to decide if you wish to proceed
- We will need your written confirmation to do so.

2. Your obligations

- Lender will supply copy of standard mortgage conditions with your offer, which you should read.
- These will include various obligations on you, such as:
 - To keep the property in good repair and fully insured;
 - Not to make alterations, or to let the property, or take out further mortgages without the lender's consent.

3. Affordability and consequences of non-payment

- Up to you to be sure you can afford the mortgage payments.
- Mortgage will be secured on the property, so if you fail to keep up payments you may be evicted by lender.

4. Your liability if there is more than one of you

- Each person is fully liable to lender (separately and together) for the money secured by the mortgage (see overleaf), so Lender can pursue any of you individually if any mortgage terms are breached.

5. Mortgage may extend to other debts

- Mortgages normally cover extra money borrowed in future as well as current loan (and interest on total borrowed).
- Will also cover Lender's costs if have to enforce their security.
- May cover all money owed now or in future, including overdrafts, personal loans/guarantees (common with High Street banks).

6. Lender's right to repossess the property

- Lender has power to repossess if you breach your obligations. This means they can force you to move out so they can sell the property to recover their money.
- If Lender is unable to recover everything you owe by repossessing and selling property, they may pursue you for rest of the debt.

7. Telling Lender if your circumstances change

- Lender has right to withdraw mortgage offer/vary terms if something happens which alters basis on which they will lend. Can happen even after exchange, but you will still be legally bound to complete.
- This means you must tell them if your circumstances change, such as any change to your income or employment.

Glossary of conveyancing terms

We have produced this glossary to help you if you come across something you do not understand, as the process is unfortunately full of legal jargon.

The terms are grouped together under the following headings:

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Types of documents

Completion statement	Statement prepared by a conveyancer for their client showing all income and expenditure involved with their transaction(s), and balance of funds due from/to them.
Conditions of sale	Standard contractual terms, including rights/duties of Buyer and Seller. May be national, statutory or Law Society.
Consent to contract form	Form signed by occupier of a property consenting to sale by Seller and confirming they will move out on completion. Sometimes separate form, sometimes in Contract.
Contract	Binding agreement (once signed and exchanged) containing all essential details of transaction and committing Buyer and Seller to completion.
Declaration of trust	Document recording you holding property as tenants in common and setting out your respective shares. Can be simple percentage arrangement or more complicated.
Deeds/title deeds	Legal documents proving ownership of property and containing details of rights, benefits, obligations affecting it.
Energy Performance Certificate	Prepared by a Domestic Energy Assessor (DEA), reporting on property's energy efficiency. More commonly known by its abbreviation (EPC).
Fittings and Contents Form	List of items at property which are included in sale (completed by Seller). Covers: • Basic fittings (to doors, windows etc.) • Electrical fittings and heating appliances • Carpets & curtains • Fitted furniture (bedrooms, kitchen units etc.) • Kitchen appliances • Bathroom fittings • Sheds, garden furniture, other outside items • TV aerials, satellite dishes etc. • Stocks of solid/liquid fuels
Office Copies	Copy of Land Registry entries relating to the property.
Official Plan	Official plan filed at Land Registry (or with Deeds if property unregistered). Will be sent to Seller for checking before passing to Buyer. Not unusual for it to be wrong! Buyer will need to check it matches what they have seen, e.g. • Do boundaries on plan accurately show full extent of land and buildings they think they are buying (and match what is visible on the ground)? • Is there a garage/shed/other outbuilding or paddock/ field beyond boundaries shown on plan?

(Pre-Contract) Enquiries	Questions raised by Buyer's conveyancer for Seller's conveyancer to answer.
Property Information Form	Completed by Seller at start. Seller must complete to best of their knowledge as it may be relied on by Buyer in any subsequent legal dispute. <u>Facts known to Seller about the property</u> • Boundaries, parking, rights (of way/light/water & drainage etc.); • Informal arrangements with neighbours/others; • Charges payable: service charges/ground rent etc; • Occupiers (current); • Utilities: details of the services connected to the property (electricity, gas, water, sewers, drains etc.) and whether they cross the property/ a neighbour's property; • Trees (if protected); • Guarantees/warranties for the property/work done to it; • Energy performance certificate (EPC). <u>Things which may have happened during Seller's ownership</u> • Disputes & complaints concerning the property; • Notices & proposals affecting the property; • Extensions/alterations, including electrical works, plumbing, conservatories, windows, solar panels etc. and whether consent (planning, listed building, building regulations, etc.) was obtained; • Changes of use; • Insurance history (claims, conditions etc.); • Flooding & other environmental issues.
Title documents	Deeds, Title Information Document or Office Copies
Title Information Document	Land Registry document with details of property's owner, mortgages, Rights & Restrictions, Easements etc.
Transfer/deed of transfer	Legal deed signed by Seller (and often by Buyer), which transfers legal title to Buyer. Seller's conveyancer sends (with Deeds) to Buyer's conveyancer on completion day.

Types of searches

Local Authority search	Reveals details in Council records of the property, such as if road is a public road, if building is listed, if any Council grants have been made that may be repayable, if there are outstanding planning/ building regulation matters. Does not cover proposals for adjoining properties or area nearby.
Environmental search	Checks if there are any recorded environmental issues which may affect property. May include records of flooding, landfill and previous land uses. Does not involve an expert physically checking the property. Covers records of current/historic land use within 500 metre radius, especially land use that could result in contamination (now/in future).
Drainage/water search	Carried out through local water company to check if property is connected to mains water & drainage (and related issues).
Chancel search	Reveals whether property is subject to an obligation to contribute to repair of the local parish church. Risk is relatively small, generally applying only to Church of England churches dating from medieval period or earlier (and not all of them). Also any previous obligation no longer exists if property's ownership has changed since October 2013. If a risk is revealed, insurance is usually available at a modest cost.
Mining search	Carried out if property is in an area where mining (current/historic) could affect property.
Flood report	Provides overview of whether property lies in area of potential/ previous flood risk.

Ownership terms

Commonhold	Rare way of owning Freehold land, intended to overcome difficulties associated with leaseholds (such as shared facilities and obligations).
Flying freehold	Where an owner owns an area of property at first floor level or above but does not own the ground floor underneath it.
Freehold	Type of ownership usually applicable to houses.
Joint tenants	A way of owning property where there are two or more owners. See pages 11-14 for further details.
Leasehold	Ownership for fixed period in return for rental payments and subject to a Lease.
Tenants in common	A way of owning property where there are two or more owners. See pages 11-14 for further details.

Terms applicable to non-freehold properties

Ground rent	Rent paid to a Landlord on a Leasehold property.
Landlord	Owner of Freehold interest of a Leasehold property. Rent is paid to Landlord, who has right to enforce terms in Lease.
Lease	Document between Landlord and tenant for a Leasehold property, setting out terms & conditions of occupation (rent, duration, Covenants, Easements etc.). Applies to flats where ownership is only for a period, e.g. 99/125/999 years.

Relevant organisations

Land Registry	Regulatory body responsible for recording land ownership.
National House Building Council (NHBC)	One of the building warranty providers for new homes and conversions. It issues a 10 year structural guarantee after inspection of the property. Other providers exist as well.

Financial terms

Deposit	Money paid by Buyer to Seller (through conveyancers) on Exchange, as part payment. 10% is required but very often less is paid, e.g. 5% if Buyer is obtaining 95% mortgage. In a Chain, Buyer will use deposit received on their sale as deposit on their purchase.
Disbursements	Fees payable to third parties, including Stamp Duty Land Tax and Land Registry fees.
Equity	Owner's financial interest in a property: its sale proceeds/estimated value, less any outstanding mortgages.
Land Registry fees	Fees payable to the Land Registry to register ownership of property and mortgages and carry out certain searches.
Stamp Duty Land Tax (SDLT)	Tax payable by Buyer on property transfer. Applies to most purchases except very low value ones.
Telegraphic transfer/ CHAPS	Same day electronic transfer of funds from one bank account to another, for which most banks make a charge.

Terms related to Stamp Duty Land Tax (SDLT)

Annexes and other separate living accommodation	'Multiple Dwellings Relief' may be available to reduce SDLT payable if the property has any building capable of being used as independent living accommodation. Advice from a tax specialist may be required.
Connected parties	Where there is connection between Buyer and Seller (family or business – see below). Important to disclose any possible connections as higher rate of SDLT may apply, or tax may apply on market value not price being paid.
Connections (family)	Spouses and family members. 'Family' is brothers, sisters, children, parents, grandparents, great-grandparents, grandchildren, great-grandchildren and the spouses/civil partners of any of these (but not unmarried partners).
Connections (business)	Any connection between business which Buyer(s)/their family controls, and one which Seller(s)/their family controls. • Transaction where a Buyer/Seller is buying from/selling to a company controlled by them falls within the definition, as does one between two companies which are both controlled by the same person or persons. • Definition is very wide and includes companies, partnerships, trusts and sole proprietor businesses.
Effective date	Date you 'take possession' of the property. • Usually date of completion (moving day). • Will be earlier if you receive keys before then, e.g. if you need to carry out works to property before completion. • You will be regarded as having taken possession even if you hand back keys each day. • Means tax could be payable much sooner (in extreme cases before completion) as must be paid (and return submitted) within 14 days of taking possession.
First Time Buyer Relief	Available to individuals who have never owned (full/part) or inherited residential property (worldwide), who intend to occupy the property as their main residence. Relief only available if all purchasers qualify.
Linked transactions	Transactions are linked if they form part of a single scheme, arrangement or series of transactions between the same seller and buyer (or connected parties as defined above). • Covers past, current and future transactions, so you must tell us if this applies. • 'Past' means any transaction since 1st December 2003. • If there are linked transactions, rate of tax may be higher on all the transactions.

Other properties	Higher rates of SDLT are payable if, on completion day, you will have major interests in more than one dwelling (globally), unless replacing your main residence (see below). - Includes interests held by a spouse/civil partner, or on behalf of children under 18, or as a partner in a partnership, or some as a trustee. - Exceptions include some interests inherited in last three years, some leasehold interests, mobile homes, and interests with market value below £40,000.
Replacing your main residence	Means either: - You are buying a new main residence at the same time as selling your current one, or - You have sold your previous main residence in the last three years and are now replacing it.
Stamp Duty Land Tax (SDLT)	SDLT is self-assessed tax on you, not the property. At least one form ('return') must be completed for every transaction where price exceeds £40,000.
Total price	SDLT is payable on total price for 'deal', not just sum paid via conveyancers to Seller. Contract will say what price is but this may not be total price (which can take many forms, not just money). Buyer must declare any other payments to (or services being provided by) the seller (or buyer) as part of the overall 'deal' (whether before or after completion). Examples Payments for fittings and contents, such as carpets, curtains, kitchen appliances, items in garden, kitchen/bathroom fittings, alarms. Payments linked to future events, such as if planning permission is granted. Works to be done by either party for the other (including connected parties) as part of the 'deal'. Others: exchanges of land or other assets (including shares in a company or business), debts taken over or released (e.g. the buyer taking over the seller's mortgage), employment, annuities etc. If you are paying below market value, SDLT will be payable on open market value after any works agreed as part of overall 'deal' have been carried out.

Mortgage-related terms

Advance	Mortgage funds sent by Lender to Buyer's conveyancer.
Arrangement fee	Fee payable to Lender/broker for setting up a mortgage. Can sometimes be added to mortgage debt.
Bankruptcy search	Search made to check whether Buyer/Borrower has been, is, or is about to be, declared bankrupt.
Borrower	Person taking out loan or mortgage on property, sometimes also known as 'mortgagor'.
Bridging Loan	Bank loan to enable property to be purchased before another property is sold, and then repaid out of proceeds of sale. Substantially higher interest rate than that of ordinary loans is normally charged. Called bridging loan because it "bridges" gap between buying one property and receiving proceeds of sale of other property (or receipt of mortgage).
Buildings insurance	Lender will need to be told if Borrower makes own arrangements. Will need to see details (level of cover, risks insured, and excesses for certain risks) before Exchange.
Charge	Another term for a mortgage.
Consent to mortgage form by Occupier	Used when Buyer is buying property in own name but, on completion, non-owning occupier will also be living there. • Only required where Buyer is having a mortgage. • Effect is occupier is agreeing and accepting that, if Buyer breaches terms of mortgage and is evicted by lender, occupier must also leave. • Separate legal advice by independent lawyer who is not acting for either Buyer or Seller is advisable.
Interest-only mortgages	If any element of mortgage is on this basis, it is your responsibility to arrange for repayment of amount borrowed. • May involve arranging investment to mature by time mortgage ends – speak to a financial advisor. • Should also consider taking out life cover. • Up to you to satisfy yourself on these points; we do not check unless Lender specifically requires us to.
Lender	Any person, including a bank or building society, who is lending money to you (also known as mortgagor).

Mortgage indemnity insurance/ guarantee (MIG) policy	Sometimes applies to a high percentage mortgage. • You will have to pay for it, but it will only benefit Lender. • Purpose is to provide Lender with additional security. • Allows them to recover any shortfall (up to limit of policy's cover) if property has to be sold (such as repossession) for less than amount owing on mortgage. • In event of claim, policy pays out to Lender but insurance company may sue you to recover this and Lender may sue you if they still have shortfall.
Mortgage Deed	Document Borrower signs to agree to terms set out in Mortgage Offer. Is sent to Land Registry, which registers mortgage as financial charge on property, which is then shown in charges register for property.
Mortgage Offer	Written offer to lend money on a property. Will contain all terms of loan and conditions upon which money is loaned.
Mortgage valuation (or 'valuation', 'mortgage valuation survey', 'valuation for mortgage purposes')	Before making Mortgage Offer, Lender will arrange for a surveyor to visit property to carry out mortgage valuation. Although Borrower will have to pay for it, scope will be limited and it is primarily for benefit of Lender: to help them decide whether property is worth price being paid and enough to lend what Borrower is asking for, and whether it is suitable security for mortgage. Borrower will usually receive a copy and so will their conveyancer. However, should not be relied upon to indicate whether there are any defects which might cause Borrower to pull out, as mortgage valuer will not necessarily inspect physical condition of property. More extensive inspection – 'homebuyer's report' or full structural survey – is strongly recommended to report on property's condition and reveal potential defects.
Occupiers' Consent	Lender will want to know full names of anyone aged 17 years or older (besides Borrower) who will be moving into property. They will need to give their written consent to Lender, acknowledging mortgage and rights it gives Lender (including to evict them).
Redeeming a mortgage	What happens when property owner pays back mortgage (such as on a sale). Lender will usually charge Redemption Fee (in addition to amount owed). Owner will need to get statement of amount owed ('redemption statement'). When moving, if Lender charges interest monthly rather than daily, will be better to choose moving day as close as possible to end of a month. This is because Lender will charge whole month's interest, regardless of moving date, and there will be overlap with any new mortgage.
Redemption Fee	There will usually be one, regardless of type of mortgage or length of time it has been in place. Also, if it was special deal (such as fixed rate), may be early repayment charge. Seller should therefore check this with Lender.
Redemption figure	Amount needed to repay mortgage, including redemption fees and any early repayment penalty.

General Terms

Agreement	Another word for contract.
Boundaries	Indicate extent of property. Usually marked on ground by fencing or hedging. Boundary ownership is sometimes, but not always, shown on Deeds and plans.
Building Insurance	Insurance taken out by property owner to cover risks such as fire, flood, storm damage etc. Responsibility to insure usually passes to Buyer on Exchange of Contracts.
Buy-to-let	Where property is bought with intention of letting to rent-paying tenant. Mortgage known as 'buy-to-let mortgage'.
Caveat emptor	Means 'buyer beware'. Buyer is responsible for checking condition of property by survey/other enquiries and having their conveyancer check legal title and carry out searches.
Chain	Situation in which successive buyers and sellers are reliant on other transactions being completed to make a sale or purchase effective.
Completion	When Seller moves out and Buyer moves in. Seller's conveyancer authorises release of keys to Buyer once purchase funds received from Buyer's conveyancer.
Conservation area	Area protected by Local Authority. Properties in it may be subject to greater planning restrictions.
Covenants	Obligations to do or not to do certain things. Often contained in a Lease or referred to in Title Information Document. Covenant is legal rule that is binding on property and its owners. Sometimes they are broken, in which case there is possibility that current/future owners may be held liable and incur penalty as a result. E.g. if covenant exists to prevent extension works unless written consent first obtained from original developer but owner builds extension in breach of this.
Defective Title	Means a problem with legal title to the property, usually caused by missing, destroyed, lost or inadequate documentation. Buyer will not usually proceed unless Seller provides insurance policy to protect them and Lender against any possible financial loss as a result.
Defective Title Insurance	An insurance policy which insures owner and future owners against loss that may be suffered by them as a result of a defect of some sort in legal title.
Easement	Right given to property owner over an adjoining property.

Exchange (of Contracts)	Point where both Buyer and Seller become legally bound to proceed with transaction. Usually takes place by phone between respective conveyancers, who each confirm they are holding signed contract and that all terms of it are agreed. Clients only have to be available to confirm to their conveyancer by phone that they want to proceed. Neither side can then back out without serious financial penalties. Both parties are committed to agreed Completion date. Synchronising sale and purchase Where their client is buying and selling at same time, conveyancer will try to make sure they are not committed to one transaction without the other. Exchanging on both at same time also means deposit received on sale can be applied towards that required on purchase.
Gazumping	Where Seller has agreed price but then sells to another buyer for more. Can only happen before Exchange of Contracts.
Gazundering	Where Buyer reduces their offer after agreeing price with Seller. Can only happen before Exchange of Contracts.
Listed buildings	Protected by law and subject to strict planning restrictions.
Management company	Most frequently associated with Leasehold properties. Deals with day-to-day running of property and repairs & maintenance. Collects service charge from owners to pay for services and for upkeep of building and/or facilities.
Overriding interests	Not all matters affecting property are/can be registered at Land Registry, but property is still subject to such matters.
Registered land	Land registered at Land Registry provides guarantee of ownership and does not depend on keeping safe a collection of old Deeds (see Unregistered Land below).
Rights and Restrictions	May be formally recorded (in title documents or otherwise) or informal arrangements. Include: • Rights which benefit property owner; • Rights of others (may restrict enjoyment of property); • Other restrictions on using property.
Surveyor	Person who surveys a property. Usually member of RICS (the Royal Institution of Chartered Surveyors).
Unregistered Land	Original Deeds/documents have to be produced to prove ownership. If not possible, title is “defective” (see above). Registration compulsory when property sold/mortgaged.

Terms used in special circumstances

Affordable housing	Term describing Government's various schemes to help first time buyers (Shared Ownership or equity loan).
Compulsory purchase	Acquisition by Local Authority or other Government body of a property, perhaps against the owner's wishes.
Intermediate rent	Subsidised rent on brand new/refurbished apartment (20-30% lower than for similar apartments in same area).
Key Worker	Broadly speaking, someone employed in a key public sector role (such as nurses, teachers and police).
Part-buy, part-rent	Term often used to describe Shared Ownership scheme.
Right to Buy/Acquire	Scheme for Social Housing tenants to buy their current home with discount from Council/Housing Association.
Registered Social Landlord (RSL)	Another term used to describe a Housing Association.
Shared Ownership	Part-buy, part-rent of a property on the basis of Shared Ownership lease.
Social Housing	Rental housing (at below market rent) provided by a Council/Housing Association to tenants who cannot afford to buy or rent in open market.
Staircasing	Process of buying a further share, or the final share, of your Shared Ownership home.

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