

# Pricing: Conveyancing Transactions



Pellys

## Introduction

A conveyancing transaction can be split into three stages. The first stage is from commencement until exchange of contracts; the second is from exchange until completion and the final stage is after completion. The following sets out the first stage in detail now and the other two will be explained fully as the transaction progresses.

Although you may not be both selling and buying a property, both sides are described so that you have the complete picture

## The Sale of a Property

### Deeds

The deeds to the property will be obtained, either from the Building Society or Bank if mortgaged, or from the place where they are deposited. The Property Information Questionnaire and the Fixtures Fittings and Contents Form are sent to the Seller to be completed. The Property Information Questionnaire asks the Seller for information about the property such as which boundaries he has maintained and whether any extensions have been made to the property. The Fixtures, Fittings and Contents Form lists the items, such as carpets or curtains, which are included or excluded from the sale.

### Contract

It is the Seller's Solicitor's job to prepare the Contract. The Contract is the document setting out the terms on which agreement is reached as to the sale of the property. Once prepared, this is sent to the Buyer's Solicitor, with any relevant accompanying documentation (e.g. a plan of the property, or if the property is leasehold, a copy of the lease). At this stage the Seller's Solicitors will send the Property Information Questionnaire and the Fixtures, Fittings and Contents Form.

Once the Buyer's Solicitor is satisfied with the results of his searches, the Property Information Questionnaire and any further enquiries he feels necessary, the Contract is agreed. The Seller's Solicitor will only agree to amendments if they are in the best interests of his client. Both the Seller and the Buyer will sign a copy of the Contract.

### Exchange of Contracts

The agreement becomes legally binding when the two signed parts of the Contract documents are exchanged. Up until this date either party may withdraw from the transaction. The Buyer's Solicitor will send a deposit with his client's signed part of the Contract. The deposit usually represents 10% of the full sale price (although quite often smaller deposits are negotiated, especially when first time buyers are borrowing a large proportion of the purchase price). It shows the Buyer's intentions to proceed with the transaction and will be forfeited if he later backs out of the agreement. At this stage, a suitable day for completion is determined.

### Completion

The completion date is the date when ownership of the property passes from the Seller to the Buyer and it is usually about two to four weeks from the date of exchange of Contracts.

## Details of Property

The Buyer's Solicitor must make sure that the property being bought is as advertised and free from defects. The Buyer should check through the Estate Agent's Particulars of Sale and confirm that the description of the property, including any fixtures and fittings (i.e. items attached to the property such as shelves, light fittings and curtain rails), is satisfactory, although these details will be confirmed when the Fixtures, Fittings and Contents Form is received.

## Searches

A search will be made at the Local Authority (Local Search) to discover whether there are any matters or future plans which might affect the property. This search will only reveal entries relating to the property itself.

To obtain the information revealed by a Local Search in respect of adjoining properties, individual searches would need to be carried out against those properties. Given the cost of an individual search this tends to be prohibitive. However, should you require information concerning applications for planning permission that have been granted which concern adjoining properties we can enquire of the Local Authority on your behalf and hopefully they would only charge for supplying copies of planning permission that are revealed.

You can avoid charges imposed by the Local Authority for doing the research for you if you attend the Council's Planning Offices with a copy of a location plan showing the property, which will be forwarded to you later. They will show you a plan of the area which will reveal any permissions that have been granted. They may also answer general questions as to the likelihood of permission being granted for particular purposes in that area, although they are only obliged to show you the permissions that have been granted.

A drainage search is also carried out which shows whether properties drain to a public sewer and whether this is by means of private drain or private drain and private sewer. Of course, maintenance, repair and replacement of a private sewer is shared between the users of that sewer whereas a public sewer is repaired at public expense.

Environmental searches are also carried out.

## Contract

The Seller's Solicitor will send a draft Contract to be approved by the Buyer's Solicitor. The Contract sets out the terms on which the agreement has been reached for the purchase of the property. The Buyer's Solicitor will agree amendments when he is satisfied with the Contract and his enquiries.

Additionally the Property Information Questionnaire will be sent by the Seller's Solicitors; this contains specific questions about the property of which the Seller should have personal knowledge. Sometimes it is necessary to ask further enquiries should other matters about the property come to light.

## Survey

In some cases it is advisable to have a full structural survey of the property. The Buyer's Building Society or Bank will often be able to instruct or recommend a Surveyor. A Buyer not requiring a mortgage is strongly recommended to have a survey and may ask their Solicitor for advice in this respect. The Buyer's Solicitor will only be able to advise that a full structural survey should be carried out due to his potential liability in the event that he recommended a less thorough survey which did not reveal a defect, which subsequently involves loss for his client.

However, you may feel that if the property you are purchasing is relatively new and in particular, if it is supported by a Structural Guarantee, then a full structural survey is not necessary.

## Mortgage

If a loan is being arranged Contracts will not be exchanged until the Buyer has received an offer of mortgage and the Buyer's Solicitor has received instructions which comprise a copy of the offer of mortgage and specific instructions to the Buyer's Solicitor with which he must comply by completion.

It is therefore imperative that the Lender's instructions are seen by the Buyer's Solicitors before contracts are exchanged and the parties committed. The Buyer should notify his Solicitor of any problems in obtaining a loan.

## Exchange of Contracts

When the Buyer's Solicitor is satisfied with the results of all searches and enquiries and the Contract is agreed, Contracts can be exchanged (as described under Sale). Remember that the Buyer should be prepared to pay a deposit of 10% of the purchase price if a smaller deposit has not been negotiated. On exchange of Contracts, a suitable day is chosen for completion.

## Completion

The Completion date is the date on which ownership of the property passes from the Seller to the Buyer and is usually about two to four weeks later. On the day of completion you will be able to take possession of the property as the Seller is obliged to move out on that day, provided that the completion monies have been received by his Solicitors.

To ensure this, the Buyer's Solicitors must have cleared funds on the day of completion. Some Lenders arrange for funds to be telegraphically transferred from their bank direct into our bank account the day before completion to solve this difficulty. Other Lenders still prefer to send us a cheque. The Lenders that telegraphically transfer monies normally make a charge of £20.00 for this. Those sending a cheque make no charge at all, although it is necessary for us to arrange for their cheque to be specially cleared at a cost of £10.00. The alternative to this is to ask for the cheque about one week in advance of completion. Most Lenders will not agree to this and those that do charge an extra week's mortgage interest.

## Combined Sale and Purchase

If a Solicitor is acting for a client who is synchronising a sale and a purchase, all the information under the individual Sale and Purchase headings will be relevant.

## Exchange of Contracts

As the client is involved with a Sale and a Purchase, he will have to sign a Sale Contract and a Purchase Contract and both will need to be exchanged.

Normally therefore, on exchange of Contracts, the Solicitor will arrange the transaction so that the client will not be bound to buy a property without having the security of a binding agreement on the sale.

If for some reason it is necessary to exchange Contracts and commit yourself on your sale prior to doing so on your purchase, you should be aware that:

- a. Even if you have agreed verbally with the Seller of the property you are intending to purchase the same completion date as your sale, for reasons outside your control, completion of your purchase may be delayed.
- b. If completion of your purchase is delayed you will need to find alternative accommodation.
- c. It is also possible, for any number of reasons, that the purchase may not go through at all.

Unless you have temporary accommodation, it is therefore essential to synchronise the two and you should confirm instructions to us on this point.

## Deposit

On the Purchase side the client should be prepared to pay a deposit of 10% of the purchase price unless a smaller deposit has been negotiated. On the Sale, the client's Solicitor will receive a cheque for 10% of the sale price. The latter may be put towards the purchase deposit, but the client will be notified of the full amount nearer the time of exchange.

## Completion

The date of completion will be arranged so that all parties in the chain of transactions can move out of one property and into their new property on the same day.

## Any Queries?

We hope this description of the conveyancing transaction up to exchange is clear. We are willing to answer any queries you may have and would advise you not to sign anything without our advice