

## **JARGON BUSTER**

Detailed below is a list of helpful terms you are likely to come across, whether you are purchasing, selling or re-mortgaging your property: -

### **Completion Date**

This is the date that ownership of the property passes from the Seller to the Purchaser and you vacate or occupy the property.

The Seller and Purchaser should discuss dates between themselves and then notify their respective conveyancers who will try to fit in with the suggested date. If there are unforeseen delays, for example, if the buyer does not receive a search or mortgage offer in time, or the "cash buyer" turns out to have a related sale then the completion date may have to be revised. For this reason you should not make any firm commitments such as giving notice on a job, arranging removals or making holiday bookings without first contacting us so that we can advise you of the situation.

Only when contracts are exchanged and a completion date is fixed can you be virtually guaranteed that the completion date will be met. It is not essential for you to be present on the completion date but if you are going to be away, please let us know so that the appropriate arrangements can be made.

### **Contract**

This is the agreement between the Purchaser and the Seller. It sets out the main terms of what has been agreed such as the property, the price and the names of the parties. It also deals with the process if something goes wrong. Rather than making the buyer and the Seller meet to sign the same contract, the Seller's conveyancer draws up two copies of the same contract, and each party signs their own copy. When both parties are ready to legally commit, the two contracts are exchanged.

### **Deposit**

This causes a lot of confusion. When most people talk about the deposit they mean the part of the purchase price that the buyer is putting down him/herself (i.e. usually the difference between the amount of the mortgage and the purchase price). When conveyancers talk about the deposit they are talking about the money that is handed over to the Seller's conveyancer upon exchange of contracts. This might be the same amount, but it might not.

On exchange of contracts the Seller can insist on receiving from the Purchaser a 10% deposit of the purchase price. However as many people are not contributing as much as 10% to the purchase, reduced deposits are often agreed. You should be aware, however, that if you are a Purchaser and you pay a reduced deposit then fail to complete the purchase through no fault of the Seller, you would, under the terms of the contract, be required to make the deposit up to the full 10%. You may also have to pay compensation to the Seller if the Seller loses out through your failure to complete.

### **Exchange Contracts**

This is a very important moment. From the minute contracts are exchanged, the matter becomes binding. From that moment on, the Seller must sell, the Purchaser must purchase, and it must be done at the price stated in the contract. **Until contracts are exchanged NOTHING is binding - either party can walk away from the transaction with no penalty.**

### **Fixtures, Fittings and Contents Form**

This is a list of the items at the property that are either included or excluded from the agreed price. This form is completed at an early stage by the Seller and sent to the Purchaser, so that both parties understand what is included in the selling price. If you are the Seller, when you let us have the form we will send you a copy back so that you know what you have agreed on it. If you are the Purchaser we send you a copy of the form as soon as it is received by ourselves from the Sellers conveyancer so that any difficulties can be resolved at an early stage.

### **Freehold**

Ownership of both the property and the land it stands on.

### **Leasehold**

Temporary ownership of the property but not the land on which it stands. When the lease expires ownership of the property reverts back to the freeholder.

### **Local Authority Search**

This is a list of questions about the property, which are sent to the local authority. It covers such items, as, whether the road serving the property should be maintained by the council, whether there have been any planning applications on the property, and a number of other things.

The search is against the property only and does not cover the surrounding area. A word of warning - the search will not show any Planning Permissions or matters affecting land or buildings outside the boundaries of the property. It is important that you let us know at the start of the transaction if you require information on any particular point or if you wish us to ask any particular questions of the local authority. We would not normally advise a Purchaser to exchange contracts without a satisfactory local authority search.

### **Mortgage**

This is a loan to help you purchase the house. The mortgage is 'attached' to your title deeds, and means that you cannot sell the property without paying it off at the same time.

Contracts should not be exchanged until an acceptable written mortgage offer has been received. It is not enough that you have had verbal confirmation from your bank or building society that they will grant you a mortgage.

In many cases a mortgage may be supported by an endowment, pension or mortgage protection policy and in these circumstances we must confirm to the lender before exchange of contracts whether there are existing policies or arrangements have been made for new policies to be brought into effect immediately contracts are exchanged.

If you are selling, we will contact your mortgage lender at an early stage to ask how much it will cost to pay off the mortgage. You may find that you will be charged a financial penalty if you pay the mortgage off early. This is a consideration to be taken into account when agreeing a completion date, and often applies when your existing mortgage was set up on a fixed rate, or you obtained a 'cash back' figure.

### **Mortgage Deed**

The legal charge of the property to the mortgage lender until such time as the loan is repaid and that all the Purchasers must sign.

### **Seller's Property Information Form**

This is a questionnaire about the property completed by the Sellers. It covers such items as guarantees, neighbour disputes and boundaries.

If you are purchasing then time can be saved if you tell us at an early stage if there are any particular points about the property that concern you. We can then ask the seller's conveyancer the relevant questions.

If you are selling and the Purchaser's conveyancer asks a question to which you do not wish to give an answer to, for whatever reason, it is essential that you discuss it with us. Failure to disclose information could give the Purchaser grounds for taking action against you.

### **Redemption**

The final payment of a mortgage loan. The Redemption fee is the penalty sometimes incurred if paying off a mortgage early.

### **Stamp Duty (now referred to as Land Tax)**

This is simply a tax charged by the government, and only affects you if you are buying property for more than £125,000. It is paid by the Purchaser.

If you purchase for exactly £125,000 you pay nothing in stamp duty; if you pay from £125,001 to £250,000 stamp duty is charged at 1% on the whole of the purchase price. From £250,001 to £500,000 it is charged at 3%, and above £500,000 it is charged at 4%.

Please note that if your property is in a disadvantaged area (checked via postcode) then you pay nothing up to £150,000.

### **Survey**

This is a report carried out by a surveyor on the physical state of the property you are purchasing.

If you are purchasing a property you should be aware that the property is "sold as seen". It is for you, as the Purchaser, to discover any physical defects by means of inspections and surveys.

Most houses are purchased with the assistance of a mortgage and the bank or building society will require a mortgage valuation. However, this is not a survey - it merely ensures that the property is of sufficient value to protect the lender's interest. Our advice is that you should at least have a RICS Homebuyer's Report prepared by a qualified surveyor. This will cost more than a mortgage valuation but it is strongly advised. It is possible to go one step further and have a full structural survey (initially you should not choose this option unless the surveyor who carries out the Homebuyer's Report thinks any matter should be investigated further).

### **Transfer Deed**

This is the usual document that passes the ownership of the property from the Seller to the Purchaser.

It is dated with the completion date, and will be sent to the Land Registry after completion. The Land Registry need this deed to change their records, and show the Purchaser as the new owner of the property.

### **Valuation**

This is exactly what it says it is – **a valuation of the property**. It will give a brief guide of any problems but should not be relied on. A RICS Homebuyer's Report should be done.