

Section 3

The house-buying process

Section 3 covers the house buying process, including: buying at auction and through private treaty; the role of the estate agent; home Information packs; the role of the solicitor and conveyancing principles; costs; and property defects.

Section 3 covers part K2 of the syllabus for Unit 3.

3.1 The house buying process

The stages in the house-buying process are as follows.

3.1.1 Preliminaries

Ideally, prospective purchasers should consult mortgage lenders in their area to find out how much they can borrow. Sometimes they will find a property first, only to be disappointed to discover that they can borrow less than expected. The lender can provide valuable advice at this stage, including guidance on fees, charges and other costs.

The purchasers should then draw up a budget to determine:

- ◆ the price range of property they can realistically afford;
- ◆ if selling a property at the same time, whether there is a surplus or shortfall from the sale;
- ◆ whether they can fund the deposit required (as relatively few lenders will offer 100% mortgages);

- ◆ whether they can meet the other costs involved, eg valuation/survey, legal fees, etc.

The house-hunting process can then commence. Buyers have a wide choice of media through which potential properties can be identified, including estate agents, auctioneers, property pages of newspapers, word of mouth and (in Scotland) solicitors. Properties can be viewed and an offer made on the most suitable one.

3.1.2 Method of purchase/sale

The sale of properties may be effected by *private treaty* (*private bargain* in Scotland) or *auction*. The majority of sales are effected by the former, although auction is suitable for certain types of property and more popular in some regions than others.

3.1.3 Making an offer and mortgage application

It is pointless making an offer on a house unless the buyers know that they can put finance in place, although some buyers will 'sound out' the vendor on price and conditions before formally approaching the lender. Once a suitable property has been identified, the application process can proceed with completion of an application form and (often) an interview. The lender will always require a valuation – the lender may require the fee for this to be paid when the application form is completed. For additional peace of mind, applicants may give consideration to a full structural survey or at least a homebuyer's report (see Section 3.1, Unit 4).



Offers to purchase a property are made differently in Scotland to those in England and Wales. In Scotland, it is usual to make offers above a base figure (the *asking price*) – the price advertised is usually the minimum that the vendors are prepared to accept, although the practice of advertising at a fixed price has become more popular in recent years.



If an offer is to be made, this must be made very carefully. If made unconditionally, it is legally binding under Scots law; it is therefore usual to make a conditional offer. The *conditional offer* is usually made in letter form, setting out precisely the conditions on which it is based. It is sent to the seller's solicitor who decides on a closing date for offers. On the appointed day, the seller examines the offers made and accepts the most suitable, if any. This

might not be the highest price – for example, someone who can complete the purchase more quickly with a cash sale might be preferred to a higher offer from a person who has yet to find a buyer for their present property. An unconditional offer will normally be preferred to a conditional offer.



Offers are sometimes made *subject to survey*. This means that the buyer reserves the right to withdraw should the survey reveal a material defect. The purpose of such an offer is to avoid the cost of multiple surveys: a potential buyer can delay surveying until it is clear that her offer has been accepted. This type of conditional offer does not provide a basis for withdrawing on the basis that the buyer has had second thoughts in respect of other issues (eg price). While the vendor may not hold the buyer to such an offer in a rising market, attitudes may differ if the market is less buoyant and another buyer is not easy to find.



The formal term for the contract is *missives*. Once the offer has been accepted, the missives have been *concluded* and there is a formal legally binding contract from which neither party can withdraw without (generally) incurring a liability for damages to the other.



Alternatively, property can be sold by private treaty, as in the rest of the UK.

In contrast, in England and Wales, it is common to sell houses by *private treaty*. The house is marketed at a particular price and prospective buyers make offers through the agent (or directly if no agent is involved). The seller is free to decide which offer to accept but no offer is binding until exchange of contracts. It is very common for initial offers to be below the price advertised. An offer is typically made *subject to contract*.

If satisfied regarding the buyer's ability to repay and the security offered for mortgage, the lender will issue an *offer of advance*. This is the formal statement of the terms and conditions on which the lender is prepared to enter into a mortgage contract.

If the offer is accepted and everything is proceeding according to plan, the buyers can brief their solicitors to begin work in respect of the transfer from vendor to purchaser.

3.1.3.1 Buying at auction

An increasingly popular way to buy property is at *auction*. Bargains can often be found and the process is very quick. Property for sale by auction can be found in local and national newspaper advertisements, through estate agents or auctioneers and on the Internet, and can vary from repossessed property and redevelopment projects to standard residential property. An indicative (or guide) price will usually be given, although in many cases the final price is far in excess of expectations.

The auction is basically the same as any other auction. The lots will be introduced and bidding started. Most property has a *reserve price* – a minimum price that the vendor is prepared to accept. If the reserve price is not reached during the bidding, the property will not be sold, although interested parties may be able to negotiate with the vendor after the auction, particularly where the bid was close to the reserve.

The main issue is that, once a winning bid is accepted, a 10% deposit is paid and contracts are exchanged on the day of the auction. This means that the buyer must be in a position to go ahead at the auction. He will have to make sure financing is in place, which usually means the mortgage is agreed or cash is available. In view of this, the buyer will need to complete a survey, mortgage application (and agreement) and preliminary legal work *before* the auction, in order to exchange contracts on the day. Defects or issues identified after exchange of contracts will not release the buyer from his obligations unless, of course, they are the result of deception or title problems.

The issues to address if proposing to buy at auction are:

- ◆ a proposed auction purchase will require a substantial outlay on the valuation and legal fees without any guarantee of a successful bid. While this eliminates frivolous bidding, it does mean potential buyers must have a realistic prospect of matching other bids. Buyers must also go to the auction with a realistic budget and be prepared to stick to the budget. It is easy for a bidder to become carried away at auction and buy a property that he cannot afford;
- ◆ in many cases, the property will need work to bring it to habitable standard or to suit the needs of the buyer. The buyer should have investigated the extent and cost of such work and ensured that funds are available before the auction;
- ◆ the 10% deposit must be available on the day of the auction and will not be returned, in most circumstances, if the sale does not proceed;

- ◆ the mortgage lender may well place a *retention* on the funds if the property requires repair, particularly in the case of older property. The buyer must ensure that the necessary funds are available to carry out the work;
- ◆ there is an element of speculation: even if the finances are in place, there is no guarantee the bid will be successful and the money already spent may be wasted;
- ◆ once the bid has been accepted, there is no backing out, in normal circumstances, without loss of deposit – a big price to pay for making a mistake.

3.1.4 Role of the estate agent

The majority of vendors of residential properties appoint an *estate agent* to act for them in the sale. The estate agent is an agent of the vendor not the purchaser, although he may choose to advise both parties on areas where a conflict does not exist.

It is the estate agent's job to bring the property to market, either by private treaty (private bargain in Scotland) or auction.

This process begins by having a representative of the estate agency call at the property to assess its market value and gain some idea of what sort of price the vendor will be looking for. If these figures are far apart, he will obviously guide the vendor appropriately. At this stage a photograph will be taken in order to advertise the property and the agent will prepare a description of the property to be used alongside the photograph. Today, estate agents must take great care not to mislead potential buyers – the Property Misdescriptions Act 1991 makes selling agents liable for extravagant or fanciful sale particulars that are subsequently found to be far from the truth.

The estate agent usually advertises the property through local (and sometimes national) press advertising. Prospective purchasers are urged to make appointments to call in order to view the property. These visits may or may not be accompanied by a representative of the estate agent.

Generally, estate agents will guide the vendor on progress and interest shown in the property. If demand is greater than expected, the vendor will be more likely to obtain the price sought or even a higher one in extreme

circumstances. If demand is 'flat', the estate agent might recommend a lower advertised price or even a sale by auction.

Once a provisional offer is made, the estate agent will liaise with the vendor's solicitor to progress the formal sale.

The estate agent is usually paid on a commission basis, expressed as a percentage of sale price (typically 1.5–3%). Some estate agents charge a flat selling fee. In some cases, a fee is charged whether a sale is obtained or not. Many agents charge less if they are given *sole agency* (that is, if the vendor only offers the property through one estate agent). Where a property is offered through more than one estate agency, this is called *multiple agency*. In this case, two or more estate agents advertise the property but only one will receive the fee.

Estate agents may offer a range of additional services including:

- ◆ auctioneering;
- ◆ property listings;
- ◆ property management and letting agency services;
- ◆ removals;
- ◆ arranging mortgages and the associated financial advice (some estate agents now have in-house IFAs);
- ◆ insurance services;
- ◆ relocation services;
- ◆ survey and valuation services.



Remember that in Scotland, an unconditional offer issued in writing by a purchaser to the agent of the vendor is *legally binding*. This commits the buyer to buy and there is no turning back.

3.1.4.1 Property Misdescriptions Act 1991

The Property Misdescriptions Act 1991 was brought about by the need to control the way in which property was marketed. Unscrupulous estate agents had previously made all sorts exaggerated statements about properties, leaving prospective buyers at best, confused, and, at worst, disadvantaged. The main provisions of the Act are that:

- ◆ descriptions must be accurate;

- ◆ the overall description must give a reasonable view of the property – care must be used with descriptions such as ‘immaculate’. Specific problems with the property – leaking roof and so on – do not need to be mentioned but, if there are faults, the overall impression must not lead the reader to assume the property is in good condition;
- ◆ mention can be made of services and facilities – dry rot treatment, gas central heating etc – but a qualifying statement must be inserted unless the agent has seen documentary evidence of proper fitting, operation, guarantees etc;
- ◆ measurements should be as accurate as possible. A margin of error of around 10cm is reasonable in most domestic rooms;
- ◆ photographs should not be misleading.

3.1.5 New proposals

As part of its plans to improve the homebuying process, the government has proposed and piloted measures that it hopes will speed up the process. This has resulted in legislation contained in the Housing Act 2004.

The Act requires that, from 1 June 2007, all sellers (or their agent) provide a **Home Information Pack** as part of the marketing material for the property. The pack is intended to contain all a prospective buyer needs to know before making an offer. The Act does not specify the exact contents of the pack; this will be defined before information packs become compulsory. It is, however, likely to require:

- ◆ the terms of sale;
- ◆ evidence of title;
- ◆ replies to standard preliminary inquiries;
- ◆ copies of any building regulations and planning consents and approvals;
- ◆ warranties or guarantees relating to new property;
- ◆ guarantees for work carried out;
- ◆ replies to searches made of the local authority;
- ◆ a Home Condition Report based on a professional survey of the property, including an energy efficiency rating.

For leasehold properties, it will also include a copy of the lease, the most recent service charge accounts and receipts, details of the buildings insurance policy, regulations made by the landlord or management company and the memorandum and articles of the landlord or management company.

3.2 The role of the solicitor and conveyancing principles

It is not absolutely essential for a solicitor to act in a property purchase or sale. In practice, however, no lender will contemplate a mortgage unless the legal formalities are to be completed by a suitably qualified person. In the majority of cases, a solicitor is appointed, although in recent years an increasing number of lenders have been willing to permit licensed conveyancers to act.

The solicitor has a number of important functions.

3.2.1 Investigation of title

Investigation of title involves making thorough enquiries to ascertain whether the property is what it is purported to be and that it is free from restrictions that would inhibit the sale process. The report on title also confirms that the person who is selling is the legal owner and is entitled to do so.

Investigation of title requires the solicitor to make searches of various registers. Once these have been carried out satisfactorily, the solicitor confirms to the lender that there is 'good root of title'.

These investigations are extremely important, both to the buyer and to the lender: any defect in title that is not uncovered at this stage could be disastrous, at best, involving delays and costs and at worst meaning that the buyer has not purchased what he thought he had. For the lender, of course, the issue is equally important since defects in the conveyance can render it unable to exercise its security or render that security less valuable than was thought.

In recent years, insurance products have been developed to protect mortgage lenders against defective title. These policies can be specific, or they may be arranged on a block basis. They may be especially helpful where one lender is transferring a book of business to another, and where a full investigation of each individual title would be highly costly.

The extent of the cover can vary according to needs, but policies can provide cover against a failure on the part of the investigating solicitor to identify a title defect, which could include covenants, different types of title, easements and so on. The policies can be arranged to protect only the lender or the lender, the borrower and subsequent purchasers.

The various searches that will be carried out are as follows. They were covered in detail in section 2.3.4.

Types of search

Land Registry search	Made if the land is registered and involves a search of the property, proprietorship and charges registers.
Land Charges Registry search	Made if the land is unregistered.
Local Land Charges Registry search	Identifies details of road charges, town planning schemes and so on – these charges apply to the land rather than the individual and apply to both registered and unregistered land.
Companies Registry search	Provides details on the mortgage applicant, where it is a company.
Bankruptcy search	Made by the lender's solicitor to ensure that applicant is not a bankrupt.
Commons registration search	Checks that the land being sold is not common land. A Commons registration search usually applies where the land is in the countryside and is previously undeveloped, or is adjacent to land that has not been developed, or may have previously belonged to the Lord of the Manor or has been designated a town or village green.

3.2.2 Purchase transaction

To complete the *purchase transaction*, the ownership of the property must be legally transferred from vendor to purchaser and the transaction must be registered. The solicitor confirms exactly what is, and is not, included (such as fittings and temporary outbuildings, eg garden sheds). A *completion date* is agreed (in Scotland, *date of entry*). The price is agreed for both the property and anything that goes with it.

In England and Wales, the solicitor then draws up contracts that are exchanged in due course. This is the point of no return – the vendor is obliged to sell and the purchaser is obliged to buy; technically, either party can withdraw from the transaction but such action would be a breach of contract and would lead to loss of the deposit and possible court action for breach of contract.



In Scotland, the final acceptance of an offer to purchase (together the *missives*), which must be in writing, is legally binding – a solicitor also deals with this.

While we are looking at this part of the purchase process, it is worth clarifying the meaning (and treatment) of what are commonly termed *fixtures and fittings*. Generally, these are those items that are permanent additions to the fabric of the property – ie they are screwed in, nailed down, plumbed in and so on. It is normal, unless the agreement specifies otherwise, for fixtures to be included in the sale (whereas personal items – *chattels* – will not).

Where fixtures are to be excluded or movable items included, these should be clearly specified in the contract to avoid problems at a later stage.

3.2.3 The mortgage contract

The solicitor will carry out the work necessary on behalf of the lender to have the **mortgage deed** ready for signing on the completion date. This involves liaison with the lender so that the *mortgage cheque* can be drawn down in time.

In addition to the mortgage, the solicitor may have to deal with *deeds of assignment* of life assurance policies (if used by the lender) and other transactions related to the mortgage.

3.2.4 Financial aspects

The solicitor deals with all financial aspects of the transaction. It is in the borrower's interest that all funds are in place by completion date. Here the critical element is the balance of funds between the value of the mortgage and the purchase price. Sometimes a deposit (typically 10%) will have been paid but there may remain a balance to be funded from the borrower's own resources. If the borrower is also selling, there is obviously a need to have any equity to be carried over into the purchase transaction available on time.

The solicitor also administers payment of stamp duty and, naturally, the solicitor's own fees will either be deducted or invoiced.

3.2.5 Giving advice

A vital role of the solicitor is to give advice throughout the process of house purchase and creation of the mortgage. A mortgage is a massive step, especially for a first-time buyer, so all sorts of questions may need to be addressed. Advice can relate to the purchase/sale transaction, the mortgage itself, financial aspects and related matters such as assignment of life assurances and having the property put on cover for buildings and contents insurance.

3.2.6 Completion

The solicitor will normally arrange for the applicants to sign the mortgage deed a day or two before the purchase is to be completed. Usually, the solicitor will talk the borrowers through the transaction, telling them the significance of what they are signing.

A third party (often someone working in the solicitor's office) is asked to sign the mortgage to confirm that the signatures of the parties have been properly executed. It is important that the witness signs *after* the parties to the mortgage.

3.2.7 Legal costs

It is not possible to provide precise costs for the legal work involved but the following charges are likely to apply to most house purchases (typical costs are given in brackets).

- ◆ *Local authority searches* – usually before exchange of contracts (£75–130).
- ◆ *Environmental searches* – flooding, mining, pollution, etc. Usually before exchange of contracts (£39).
- ◆ *Electronic transfer fees* – on completion (£30).
- ◆ *Bankruptcy searches* – usually before exchange of contracts (£5–10).
- ◆ *Land Registry search fees* – on completion (£5–10).
- ◆ *Land Registry fee* (£40–700, depending on the property value);
- ◆ *Solicitor's/conveyancer's fees* – payable on completion.

These fees are incurred as the process progresses and, apart from the solicitor's fees, cannot be refunded once the service has been provided. Some solicitors will reduce their charge if the purchase does not complete, depending on the stage that the process has reached. It should be recognised that aborting a purchase once the legal process has started is likely to be expensive.

3.2.8 Stamp Duty Land Tax (SDLT)

Stamp duty on property was replaced by Stamp Duty Land Tax from December 2003. It is largely a technical change, in that stamp duty is a tax levied on the transfer documents while Stamp Duty Land Tax is levied on the physical transfer of the property. Stamp Duty Land Tax is paid by the purchaser of a property on transfer from the vendor. The tax is calculated on the *full price* of the property.

The tax is levied on a sliding scale, determined by the sale price of the property. The rates (2006/07) are:

- ◆ 1% is levied where the price is more than £125,000 but no more than £250,000;
- ◆ 3% is levied where the price is between £250,001 and £500,000;
- ◆ 4% is levied where the price is more than £500,000.

3.2.9 Solicitors in Scotland



In addition to carrying out the legal work associated with house purchase, some Scottish solicitors have an additional role. It is quite common in Scotland, particularly in the east, for solicitors to act as selling agents for houses. This is attractive for sellers because the combination of the roles of selling agent and legal adviser in a single firm can result in cost savings and lower charges for the seller.



Many solicitors collectively have established 'property centres' which keep details of a large number of properties for sale, predominantly in their geographical areas. House buyers can visit these centres to look at potentially suitable homes. Several solicitors' property centres produce free newspapers containing details of properties for sale. These often include articles of interest to would-be purchasers.



The property centres do not usually offer a viewing service but the sale particulars will contain details about viewing arrangements.

3.2.10 Professional negligence

One major component of the cost of conveyancing is the risk element. If the solicitor is negligent, the ramifications can be profound. Failure to identify a defect in the title, for example, can cause enormous problems for the owner of the property.

Solicitors, like other professionals, can be sued for negligence in the civil courts by those to whom they owe a duty of care. To establish this, the plaintiff must prove that a duty of care was both owed and breached, and that some loss, damage, or inconvenience was caused.

In addition to legal redress, solicitors are bound by strict standards laid down by their professional body, the Law Society, which can take disciplinary action against those who fail to observe these standards.

In common with other professional persons, most solicitors carry **professional indemnity insurance** against claims for negligence. This does not protect them entirely – if guilty of negligence, both their pockets and future prospects of business can be severely damaged. Professional indemnity does, however, ensure that the client will be paid in full if damages are awarded.

3.3 Property defects

In surveying a property, surveyors may come across certain defects that affect the value of the property and which may affect the mortgage lender's decision to lend.

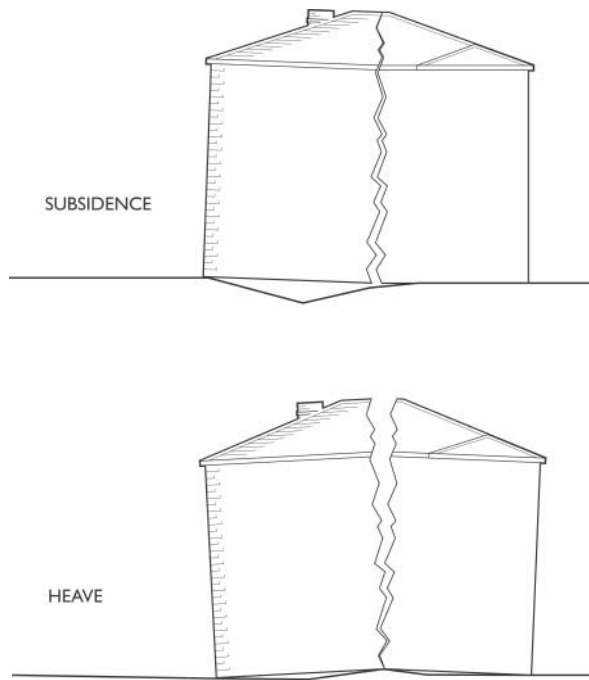
The most important of these is *structural movement*. Structural movement can be related to walls, floors or the whole building. It can be caused by the property itself (eg by poor construction) or by the ground on which the property is built (eg subsidence). The surveyor will consider whether the movement is long-standing and non-progressive or recent and progressive.

Long-standing and non-progressive movement will not normally affect the decision to lend. If, however, the movement is recent and progressive, the surveyor will normally recommend that a structural engineer take a look at the building and that further investigations are carried out.

Lenders may attach *undertakings* to the mortgage terms. Undertakings require the (prospective) purchaser to carry out remedial works within a specified amount of time. If the further investigations show that the movement cannot be remedied, the lender may decide to refuse the mortgage.

Two of the most common problems identified in surveys are subsidence and heave. Subsidence occurs when land below the property drops unevenly, causing the property to shift. Heave occurs when underground forces (eg as a result of mining) cause the land below the property to rise unevenly. Both can be serious and incur major expenditure as an inevitable consequence. In the UK, these problems tend to be localised and professional surveyors tend to know areas at risk. For example, some buildings close to the Thames basin have been affected in the past due to shrinkable clays in the ground (called 'London clay'). Further afield in Ireland, some areas around Cork on the south coast are similarly affected – hardly surprising perhaps, since the name 'Cork' is derived from the Gaelic 'corcaigh' meaning 'swamp or marsh'.

Figure 3.1 Subsidence and heave



Further defects that may affect the decision to lend, or which may prompt the lender to require undertakings of the borrower, include untreated woodworm, severe damp, removal of chimney breasts, extensions that do not conform to building regulations and the replacement of traditional roof coverings with concrete. This list is not exclusive and may vary from lender to lender.

3.3.1 Undertakings

An **undertaking** to repair or make alterations is recommended when the property is basically good security, but certain work needs to be done. Such work is not necessarily vital, but will either bring the dwelling up to the standard expected of an average property, or remove obvious defects. A typical undertaking might be to decorate internally or externally, or to tackle some localised dry rot.

The lender will reserve the right to inspect the property after a period of three to six months to see that the work has been done. This may or not be followed up. Some lenders telephone the borrower, others may wish to reinspect.

In practice, there is little the lender can do to enforce an undertaking once a certain time has passed, although, theoretically, the borrower is in breach of the conditions of the mortgage if the undertaking is not fulfilled.

3.3.2 Retention

A **retention** is more serious than an undertaking. This is where the lender holds back a sum of money from the advance pending repairs being carried out to the lender's satisfaction. Such repairs are more extensive and important than those for which an undertaking may be acceptable. The lender will almost invariably reinspect prior to releasing the funds retained.

Examples of reasons for a retention are substantial repairs to a roof or more serious dry or wet rot problems.

If the valuer recommends a retention, the mortgage adviser should make it clear to the borrower as early as possible that extra funds will need to be found to enable the purchase to be completed.

3.3.3 Quality of construction

For new properties, lenders prefer that the builder is a member of the National House Building Council (NHBC). This organisation introduced a scheme in 1965 that provided a guarantee against major defects. The scheme was relaunched in 1988 as 'Buildmark'. It serves as both a protection scheme and as a warranty. To join the NHBC, builders must satisfy certain quality standards and, as part of the Buildmark scheme, builders must confirm that the property has been built to NHBC standards. In addition, NHBC personnel conduct site inspections to monitor standards.

The **Buildmark scheme** provides protection against defects and damage during the first two years, where it is caused by the builder's failure to meet NHBC standards. For the balance of the first ten years it provides insurance for the full costs of damage over £500 caused by defects in the building's structure. It details how a purchaser must make a claim, if the need arises. The

claim is made to the builder initially but will go to the NHBC in the event of a dispute.

A similar scheme was set up by the Municipal Mutual Insurance Company Ltd and this has now been replaced by a scheme with the Zurich Mutual Insurance Company. The main difference between this and the NHBC scheme is that the Zurich scheme covers a 15-year period.

If the builder is not a member of the NHBC or a similar scheme, the lender usually insists on a qualified supervising architect regularly inspecting the property under construction.

The mortgage adviser must never encourage an applicant to assume that, just because a property is new or nearly new, it will be in good condition.

Second-hand properties that are more than ten years old have to be taken on merit and on the valuer's recommendation or otherwise. Some lenders insist on a detailed survey for properties over a certain age (eg 50 years).

Test your knowledge and understanding with these questions

Take a break before using these questions to assess your learning across Section 3. Review the text if necessary.

Answers can be found on page [3] 84.

1. James has heard that bargains can be had by buying at property auctions. What cautionary advice would you give him?
2. Outline the searches made by a solicitor during the conveyancing process and indicate in what circumstances and why they are made.
3. Dawn is considering buying a three-bedroom detached house for £215,000 or a four-bedroom detached house for £310,000. How much Stamp Duty Land Tax will she have to pay on each?

Answer true or false to the following statements.

4. Under the Property Misdescriptions Act 1991, the vendor is liable for false or exaggerated claims in an estate agent's particulars about a property.
5. It is proposed that copies of title documents will be included in Home Information Packs.
6. Town planning issues will be highlighted by a Local Land Charges Registry search.
7. Either party can drop out of the sale/purchase of a property at any point up to the completion date.
8. Stamp Duty of up to 4% is payable by the vendor.
9. The Home Information Pack will contain a structural survey report.
10. Environmental searches usually cost under £40.

Answers

1. A successful bid is binding; 10% deposit is paid at the auction and contracts are exchanged the same day. There is no time to change your mind. Finance – mortgage or cash – must be in place prior to the bid. The survey and preliminary legal work must be completed before the auction. This can all be money wasted if the bid is not successful.
2. Searches are as follows:
 - ◆ **Land Registry search** – made if the land is registered;
 - ◆ **Land Charges Registry search** – made if the land is unregistered;
 - ◆ **Local Land Charges Registry search** – identifies details of road charges, town planning schemes and so on. These charges apply to the land rather than the individual and apply to both registered and unregistered land;
 - ◆ **Companies Registry search** – provides details on the mortgage applicant, where it is a company;
 - ◆ **Bankruptcy search** – made by the lender's solicitor to ensure that the applicant is not a bankrupt;
 - ◆ **Commons registration search** – checks that the land being sold is not common land.
3. Three-bedroom house – £2,150 – 1% of the purchase price; four-bedroom house – £9,300 – 3% of the purchase price
4. **False:** the estate agent is liable for exaggerated claims about a property.
5. **True:** title documents will be included in Home Information Packs, along with draft contract, searches and various other documents.
6. **True:** a Local Land Charges Registry search will also include details of proposed new roads, etc.

7. **True:** technically, either party can drop out from a purchase prior to the completion date but will lose their deposit if they were to withdraw after exchanging contracts and might also be sued for breach of contract.
8. **False:** the purchaser pays the stamp duty.
9. **False:** the Home Information Pack will contain a home condition report.
10. **True:** environmental searches usually cost £39.

