



LONDON | MONACO

A GUIDE TO PROPERTY PURCHASE IN THE UK

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If you live abroad and are intending to purchase a property in central London, you need to be aware of the process of property purchase under English law. This guide takes you through some of the principal matters that you should be aware of.

SECURING YOUR CHOICE OF PROPERTY

As a property purchaser through Pastor Real Estate, you can be sure that we'll do all we can to help you acquire the London property you want to buy – but do be aware that there is a great deal of competition between potential purchasers of Prime Central London property, especially those from abroad, who are keen to buy premium-quality properties in the best areas of the capital.

Even if you make a competitive offer for a property that the seller has accepted, it's possible for another potential buyer to come along and 'gazump' you – in other words offer a higher price for the property. When a purchaser accepts your offer merely by verbal agreement, it does not represent a binding contract in law, and at this stage of their selling and your buying process, the seller is quite entitled to accept someone else's higher offer than yours, and then reject your offer – even though they've already accepted your offer.

So if you want to be sure of acquiring the property you want:

1. Appoint a lawyer (known as a 'conveyancing solicitor' in England) before you even start looking for a property – then you can be sure that you have a lawyer on hand to act for you as quickly as possible when you put in an offer for a property you want to buy.
2. Be prepared to be involved in a 'bidding war' against other potential purchasers of the property you want, who may well make multiple higher offers -and make sure you have the funds available to purchase your intended property at a higher price than your planned original purchase price offer.
3. Be a cash buyer, if you can. As a cash buyer, you automatically demonstrate to the seller that you have the funds readily available to buy the property, so you can purchase in the shortest possible time. This may convince the seller to accept your offer, even if it's lower, rather someone else's higher offer, simply because you can buy right away and without delay.
4. You can arrange to enter into an 'exclusivity agreement' with a seller, allowing you exclusive right to buy the property within a certain time period.
5. You could enter into a binding contract with the seller very quickly through what is known as an 'attended exchange of contracts'. Assuming that the seller has all the necessary papers to prove that they actually own the property, and that you have the deposit money ready, your solicitor visits the offices of the seller's solicitor, carries out the 'due diligence' immediately (i.e. checks that the owner really does own the property and that all the papers relating to the property are in order). Once due diligence has been completed satisfactorily, your solicitor reports to you, and contracts are exchanged there and then. Once the contract papers are signed by both parties and exchanged, the contract is legally binding on both parties.

THE UK PROPERTY PURCHASING PROCESS

Under normal buying and selling conditions, once the 'vendor' (the seller) has agreed to sell their property exclusively to you, then the formal property purchasing process can commence:

1. Your solicitor undertakes due diligence on the property you're buying – in other words, they undertake the following processes:
 - checking the title of the property (i.e. that the seller can clearly prove ownership of the property)
 - obtaining a survey, to assess the physical condition of the property
 - carrying out searches of local authorities (local councils) and other authorities, to find out if there are any rights and obligations, covenants or restrictions affecting the property you're buying
 - obtaining appropriate information from you and the seller and agreeing the terms of the contract.
 - getting a firm mortgage offer from a financial provider if you are arranging finance, and not a cash buyer.
 - if you are a cash buyer, you will be asked to provide proof of funds

In the UK, due diligence is carried out before the parties enter into a binding contract. This is unlike many other countries, particularly in Europe, where contracts are entered into quickly and due diligence occurs between the contracts being signed and the purchased being completed or 'closed'.

2. When both parties are ready to proceed with the contract, you and the seller both sign a separate but identical contract. The solicitors for each party then agree that contracts are binding on both parties – a process called 'exchange of contracts'.
3. On exchange of contracts, you normally pay 5% or 10% of the purchase price as a deposit.
4. Completion of the sale can take place on the same day as exchange of contracts, but usually there is a period of from 7 to 28 days between exchange and completion, during which time further legal matters and administrative processes can take place.
5. On completion of your purchase, you will pay the balance of the purchase price, and the ownership title to the property will then be transferred to your name.
6. You will be given the keys and take full possession of the property.
7. You are now entitled to occupy the property and undertake repairs, improvements or changes – though these can be subject to strict rules (see below).

FUNDING YOUR PURCHASE

If you need a loan to buy your UK property, your lender needs to be able to claim back their money, should you be unable to repay your loan in full. So, to protect themselves and the funds they lent you, your lender will take a 'charge' out on your property – in other words, they will register their interest in your property, setting out the fact that they have lent you a certain amount so that you can buy the property. Their details are registered against your property at the Land Registry, which is a UK database of all property ownership in the UK.

When a UK bank or building society lends money to overseas buyers, it's usually a specialist bank or lender, particularly where the property is to be held in the name of an offshore company. Under these circumstances, lenders will often be private banks or the private banking division of a major bank.

If you intend to own your new property in your individual name (or that of someone else) or through a trust, there is a tax advantage to ensuring that you paid for most of the property with a loan. This is very favourable to you in relation to UK Inheritance Tax (see below: 'Improving your property').

WHO SHOULD OFFICIALLY OWN THE PROPERTY?

In deciding who should be the official registered owner of your newly acquired property, there are a number of points you may wish to consider:

- The UK Land Registry, which records official owners of all property and land, is publicly searchable.
- Whether the property will be a primary residence or not.
- Who will be living at the property
- The domicile and/or country of residence of the registered owner.
- Applicable tax

THE UK TAXES TO WHICH YOU MAY BE SUBJECT

In owning a UK located property you, or the vehicle which owns the property, will be liable for some form of tax. This may include:

- Inheritance Tax
- Capital Gains Tax
- Income Tax
- Stamp Duty Land Tax
- Annual Charge

Computation of tax liability can be complicated and is significantly dependent upon circumstances relating to an individual person, company or trust. If you are unsure of your tax position you should seek advice from a qualified professional tax adviser.

IMPROVING YOUR PROPERTY

Once you have bought your UK property, you may wish to increase its value by refurbishing it, rebuilding it, adding to it, converting it - or entirely re-developing it. Depending on the type of building, its location, age, surroundings, and the type of works you've got planned, your proposed alterations may require 'planning consent' i.e. official permission from the appropriate authorities to make the changes. If you buy a leasehold property (see below: 'Buying apartments') you will probably need the consent of the freeholder – and if it's an historical, architecturally important or ancient building, you may need 'Listed Building Consent'.

BUYING APARTMENTS

If you buy a house in the UK, it will often be 'freehold' – which means that full title and absolute ownership of the property goes to you, the new owner. If you buy an apartment (also known as a 'flat') in the UK, chances are that it will be 'leasehold'. In other words, an individual or company (or other corporate entity) will own outright the freehold of the entire building of which your apartment is a part. They will then will grant you (and probably every other flat-owner in the apartment building) a lease of a given number of years. A lease is, effectively, permission to occupy a property for a given period, after which ownership reverts to the freeholder.

Some leases are for as long as 999 years, which is a very good title to an apartment – but the shorter the lease, the less value it sometimes has, since title and ownership returns to the freeholder at the end of the lease. Sometimes a flat will include ownership of a share in the freehold - or it may be possible to acquire the freehold by getting together with owners of flats in the same building and organising purchase of the freehold from the freeholders.

THE LEASE

The value of the flat you buy will partly depend on the length of your lease - and to obtain good value from your purchase, you should seek a lease of at least 85 years or more. However, the Prime Central London area is an area in which shorter leases still have considerable value due to the importance and prestige of inner London locations and properties.

As a general guide, mortgage lenders will only usually lend money to buy apartments with leases of 60 years or more – but if you buy a flat and own it for two years, you then have a right to negotiate with the freeholder to extend the lease.

SERVICE CHARGES AND MANAGEMENT

Apartments are often subject to a service charge, by way of contribution to the costs of looking after the whole building. Responsibility for this is usually in the hands of the freeholder or their appointed managing agent – and each apartment within the building will be liable for a certain percentage of the costs for providing maintenance and upkeep services.

There are many more issues to consider when buying a property in the UK, and London in particular. We at Pastor Real Estate have extensive expertise in Prime Central London property purchase, sale, lettings and property management, and we will be happy to advise you on all matters relevant to your property purchase.

In addition, we have strong and long-term partnerships with legal, tax and property experts who can also help you to achieve optimum results when you undertake UK and London-based property purchase.

For further information about our real estate services, please contact us at our Curzon Street office in London's Mayfair:

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