



GUIDE TO BUYING A PROPERTY AT AUCTION

Buying a property at an auction can offer significant benefits – but can also have some very real pitfalls.

Benefits of buying a property at auction

- You can **buy a property for significantly less** than its true market value. This is due to Sellers wanting to offload the property quickly and in turn setting lower reserve prices than those for sale on the traditional housing market. **Tip: *Repossessed properties are also currently being auctioned and you can in a lot of cases pick up a bargain and make substantial savings.***
- Time-scales – No need to worry about completing on a certain day, when the gavel goes down the bid is accepted, you have exchanged contracts and completion is fixed on the date in the contract (ie normally 28 days later, but make sure you double check this as some

contracts stipulate a much earlier completion date).

Pitfalls of buying a property at auction

- If your bid is successful, you have entered into a legally binding contract. NB: You are now legally bound to complete on the specified completion date regardless of whether you have a mortgage in place or have discovered something untoward about the property.

So what can you do to protect yourself?

- **Research carefully** – get a copy of the **auctioneer's brochure** showing all the properties which are going into a specific auction. When you have selected a property make further investigations eg:

www.simpsonmillar.co.uk

- Obtain a **copy of the auctioneer's legal pack** of information about the property which will normally contain: title documents; copies of certain searches and any amendments to the standard conditions of sale. **Tip: The pack should contain enough information for you and for your mortgage lender who may be financing the property to make an informed decision regarding a purchase.**

AUCTION PACK REVIEW SERVICE

We can perform a view of the initial content of the auction pack and provide you with verbal advice on its contents.

Special offer: *If you use our fixed fee auction pack review service, charged at £150 plus VAT and then go on to instruct us to complete your conveyancing on the property we will deduct £150 from the conveyancing quote on the purchase eg if we quote £400 +VAT on a purchase then you would pay £250 + VAT on completion having paid £150 already at the start.*

- Arrange a **viewing of the property and get a survey** done prior to the auction as you will then be aware of any physical problems and have a valuation so that you know how much the property is actually worth. **Tip: Check comparable properties in the area and check with online price guide websites to see what properties in the area have actually sold for in recent times.**
- Arrange your **finance in advance**. If your bid is successful and you don't have the finance available to complete you will be in breach of your contract and forfeit your 10% deposit and could leave yourself open to being sued for any losses suffered by the seller. **Tip: You can often obtain a mortgage offer in principal where the lender will tell you how much you can borrow from them (subject to being satisfied about the value and structural integrity of the property).**
- Make sure you **register with the auctioneer** (if necessary) so that your bid will be counted and also **check** for any addendums to the auction brochure to see if anything about the property you wish to bid on has changed. **Tip: Make sure you have a budget in mind of how much you are prepared to bid for the property – and do not go above this limit! Remember there will always be other properties! Bid clearly and sensibly and always keep within your budget.**



Auction Properties: don't forget to:

1. Visit a few auctions in advance to get a feel for what happens and what the atmosphere is like.
2. Ensure that you have your 10% deposit available on the day of the auction in cleared funds in your account so you can draw a cheque for this amount – you will need to pay this to the auctioneer on winning the auction.
3. Obtain legal advice on the documentation prepared so that you know the rights and restrictions affecting the property and that it meets the mortgage lenders' requirements. (See our Auction Review Pack Service)
4. Check the physical state and value of the property.



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