

AUCTION PROPERTY SERVICE GUIDE



M **MONARCH**
S **SOLICITORS**

AUCTION PROPERTY PURCHASE

Buying property from an auction is generally deemed riskier than buying off the market in the traditional ways. The main reason is that once the 'hammer falls' at the auction, a buyer has entered into a legally binding contract to purchase the property. Failure to complete on the contract means that the buyer shall lose their deposit (a minimum of 10% of the property value).

Although selling property at auction has become more popular in recent years due to the speed of the process, traditionally, properties that are quirky or have problems (which makes them struggle to sell via an estate agent) are sold at auction.

The advantages of buying at auction are speed and the potential to bag a bargain at an under value.

However risks include:

1. Property may have defects
2. May not be mortgageable
3. May have squatters or sitting tenants that cannot be evicted
4. You are unable to raise the finance for the purchase price
5. Solicitors will not accept your funds as they do not meet the requirements for AML purposes
6. You may purchase a property at an over market value

FAILING TO COMPLETE

- You will forfeit your 10% deposit**
- You will be sued for damages and any depreciations costs**
- You will be liable to cover the seller's/auction house's legal costs**



AUCTION PREPARATION

GENERAL TIPS

- ☑ Research property values in your chosen area so as not to bid too high
- ☑ Check the reserve price – i.e. The minimum the property shall be sold for
- ☑ Avoid a bidding war
- ☑ Do not go over your budget on the auction day to avoid problems with funding the full purchase price
- ☑ Plan your finances - Ensure you have reserve funds for additional expenses such as Legal fees, Land Registry Fees, Stamp Duty, VAT, Survey fees, Lender's fees and renovations required (or made necessary by your lender as a condition of the mortgage)
- ☑ Choose a reputable auctioneer and inspect their terms and conditions
- ☑ Arrange a viewing prior to bidding
- ☑ Have a surveyor value the property and check for any defects
- ☑ Ensure that there are no squatters or sitting tenants
- ☑ Have a solicitor review the auction pack prior to the auction
- ☑ Have a solicitor clear your purchase funds for AML purposes prior to bidding
- ☑ Ensure you have a 10% deposit on the day of the auction
- ☑ Check if you are paying the auctioneer's administration fees (which may consist of a fixed fee or a percentage premium or both)
- ☑ UNDERTAKE YOUR LEGAL DUE DILLIGENCE BEFORE YOU BID.

BUYING WITH A MORTGAGE

- ☑ Consider specialist auction finance, bridging loans, release of equity from existing property or even a standard high street mortgage.
- ☑ Ensure that you have a mortgage offer in principle before you bid
- ☑ Ensure that the loan to value of the property ratio stacks up
- ☑ Ensure that your solicitor is on the panel for your proposed lender.
- ☑ Overpaying for a property could compromise your mortgage offer and leave you in a difficult position



MODERN METHOD OF AUCTION

A new way of purchasing property via auction is online, also referred to as a 'conditional auction' or the 'modern method'.

HOW DOES IT WORK?

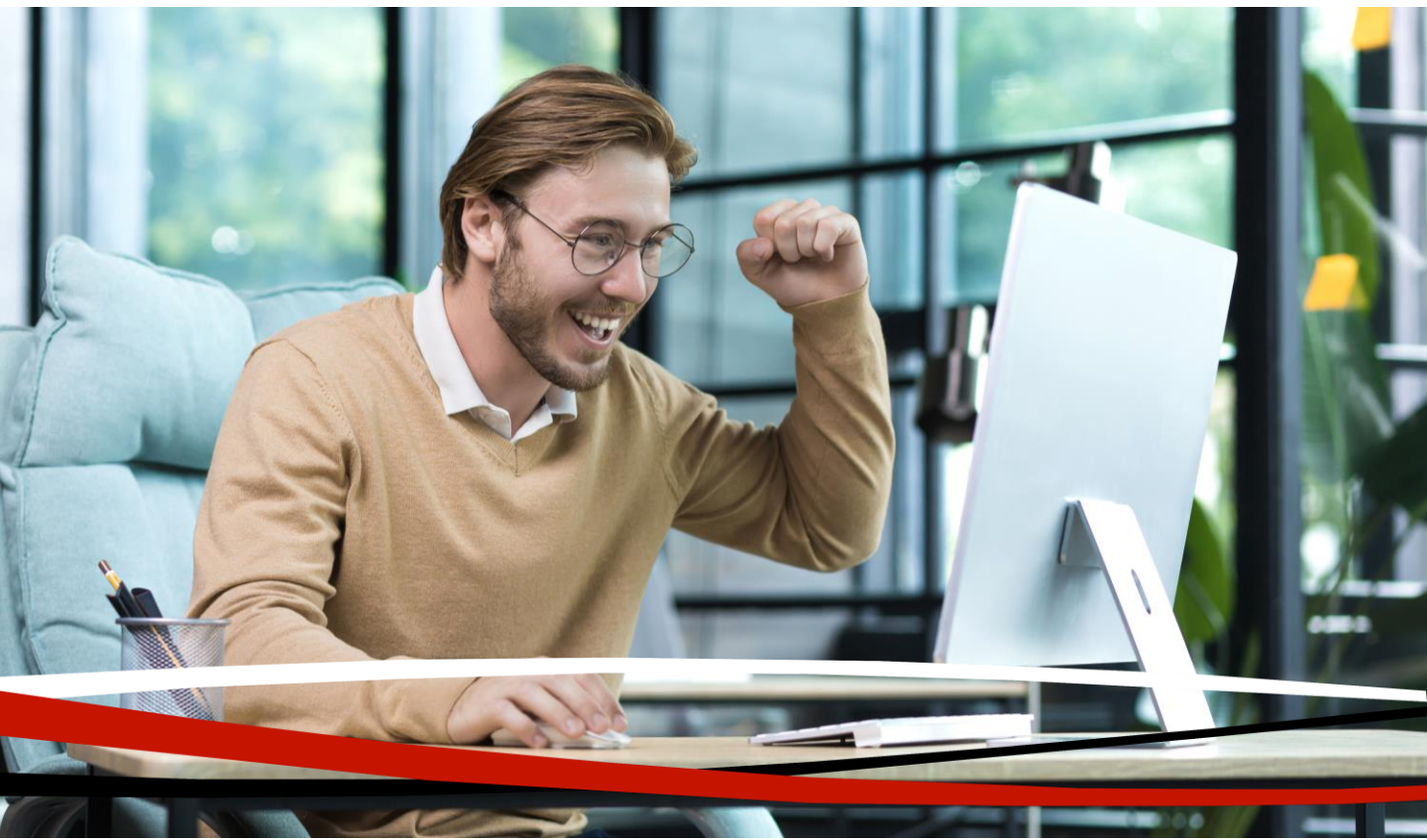
- ✓ Make sure you are registered with the estate agent/auction website. In some cases you may pay a (partially refundable) participation fee
- ✓ Auctions are typically hosted for 30 days
- ✓ Ensure you have the funds to finance the purchase, as the auction provider will want to know you are able to afford the property
- ✓ Just like a typical auction, you are able to view the property and legal pack before bidding begins. You may also wish to carry out a survey to determine a fair value
- ✓ Bidding can be done online, 24/7. When the auction is over, the highest bid wins and a reservation fee (non-refundable) must be paid immediately
- ✓ The reservation fee will typically be at least 2.5% + VAT of the price, or at least £6,000, whichever is higher. This fee will increase your total stamp duty as well
- ✓ When the reservation fee is paid the legal conveyancing process begins. You do not have to proceed but should you pull out of the purchase you will lose your reservation fee. If the seller pulls out you may be refunded, but this is not guaranteed
- ✓ From the end of the auction, the sale has 56 days to exchange and complete

PROS

- ✓ Potential to secure a property below market value
- ✓ Able to see bidding progress in real-time
- ✓ Fixed dates set for exchange and completion
- ✓ More time to sort mortgage funds

CONS

- ✓ Stamp duty increases due to reservation fee
- ✓ Minimum reservation fee regardless of purchase price
- ✓ Reservation fee must be paid immediately and cannot be loaned via mortgage
- ✓ Potentially sharing costs of legal pack



OUR PROCESS & FEES

OUR PROCESS

We would advise that you approach us when you have found a property you like and are considering bidding on. We shall need to onboard you as a client, check your source of funds for AML clearance, undertake the legal due diligence on the legal pack and, where you are buying with a mortgage, ensure we are on your lender's panel.

Generally you have 28 days to complete the purchase in a traditional auction, and therefore it is advisable to onboard a solicitor early to save time.

Where you are buying with the aid of a mortgage, your lender will only instruct a survey/valuation post-auction and issue the mortgage offer to your nominated solicitor. Your solicitor shall need to satisfy all of your lender's requirements before the lender agrees to release funds. This process can take several weeks, providing another reason to deal with some of the formalities before bidding.

Of course the risk of retaining a solicitor pre-auction is that you will expend money on legal fees when there is no guarantee of you winning the auction bid.

This is a risk you must balance with the risks of not retaining a solicitor pre-auction.

OUR FEES

For a single property of up to £500,000 GBP:

SERVICE	FEE ESTIMATE* From (+ VAT)	DISBURSEMENTS
Pre-auction contract pack preparation (Seller)	£1,250 - £3,000	Searches Bank Transfer Fee Postage & Copying Land Registry Fees Searches Bankruptcy Searches SDLT
Pre-auction contract pack review (Buyer)	£1,250 - £3,000	
AML funds clearance	£300 - £1000	
Post-auction completion service	£1,250 - £3,000	
Mortgages	£1,000 - £3,000	

*all fee estimates, additional services & disbursements are described in our formal Terms of Engagement.



SELLER'S LEGAL PACK PREPARATION

WHAT IS INCLUDED IN A LEGAL PACK

When a property is advertised online for auction, the seller will ordinarily provide a legal pack containing the usual legal documents required to sell a property, which include:

- ✓ The contract and special conditions of sale
- ✓ Protocol forms – TA6 Property Information Form, TA10 Fittings & Contents Form
- ✓ Land Registry Office Copy Entries, Plan and other title documentation
- ✓ Lease and TA7 Leasehold information Form (if applicable)
- ✓ Management pack relating to service charges or sinking fund (if applicable)
- ✓ Local Authority Search (and potentially other searches)
- ✓ Indemnity policies for any defects in title
- ✓ Planning or building control permissions
- ✓ Tenancy agreements

TIMESCALES

It can take 4-8 weeks to prepare the legal pack, so you should instruct your solicitor early. Once prepared it shall be uploaded to the auction website, ideally at least 2 weeks prior to the auction date. If any of the key documents are missing, you may not be able to enter your property to the auction.

SPECIAL CONDITIONS

The special conditions can be drafted to include any administration charges, costs of searches, the cost of preparing the legal pack and any other costs specific to the property. They will also contain details of the completion date, penalties for late completion and overage clauses.



ABOUT US

Monarch Solicitors are a highly accredited commercial law firm boasting offices in Manchester, London, Hong Kong, Turkey and Dubai to serve a diverse client base across both domestic and international clients, with proven success in several international markets.

As a multi-disciplined firm we offer expertise across all areas of law for your personal or business needs and provide a world class service and deliver the best possible results. We have established expertise in the legal disciplines of real estate, corporate, contract, mergers & acquisitions, investment & finance, regulatory and disciplinary, tax, commercial litigation, employment, private client, family law and immigration.

As recognised leaders in our field we hold numerous sector relevant accreditations and received praise for our enviable success record and excellent client services. We pride ourselves on fighting your corner with passion and drive whilst delivering pragmatic, strategic and timely advice, protecting your interests and investments.

With a wealth of experience our highly qualified multi-lingual team (Mandarin, Cantonese, Arabic, Turkish, Hindi, Punjabi and Urdu speaking) provide our clients with the best possible service and expert management of cross jurisdictional issues.

Our trusted team of legal advisors are aware of the commercial realities and provide bespoke advice to high net worth individuals (HNWI's), board level directors, multi-national corporations, local companies through to private clients.

We pride ourselves on ease of communication and apart from the traditional contact methods of telephone and email we also use instant messaging services such as WhatsApp, WeChat, Telegram and IMO so that our clients can contact us with ease.

Contact us to discuss your requirements today.

**Award
Winning**

**Excellent
Service**

**Regulated
Solicitors**



OUR TEAM



Serena Amani*
C.E.O. & Solicitor



Alan Lewis
Director & Solicitor



Ian Bowen
Director



Zayn Ahmed
Director



Mohammed Khizar
Solicitor



Joseph Diver
Trainee Solicitor



Saher Qarini
Trainee Solicitor



Janice Cheung
Trainee Solicitor



Charles Hancock
Paralegal



Leah Whitehead
Paralegal



Ellis Haworth-Bowyer
Paralegal



Joanne Lau
Licensed Conveyancer



Bethany Hawkins
Paralegal



Andrew Truong
Accounts Manager



Josh Omri
Technical Support

*Shazda Ahmed is known as Serena Amani.

ADDITIONAL SERVICES

PERSONAL SERVICES



Employment

Bullying & Harassment, Constructive Dismissals, Discrimination, Employee Grievance



Property

Residential Conveyancing, Right to Manage, Equity Release, Compulsory Purchase Orders



Lease Extensions

Houses, Flats, Right to Manage, Missing Freeholders, Tribunal, Disputes



Wills, Trusts & Probates

Will Writing Service, Court of Protection, Inheritance Disputes, Power of Attorney



Litigation

Debt Recovery, Bankruptcy & Insolvency, Education Disputes, Injunctions, Landlord & Tenant Disputes



Immigration

Appeal & Judicial Review, British Citizenship & Naturalisation, BNO Passport Holders



Family Law

Divorce, Pre / Post Nuptial Agreements, Cohabitation Agreements

BUSINESS SERVICES



Employment Law

Defending Tribunal Claims, Employment Contracts, Redundancy Procedures



Commercial Property

Commercial Conveyancing, Commercial Lease, Freeholder Duties, Construction, Compulsory Purchase Orders



Corporate

Mergers & Acquisitions, Business Sales & Purchases, Corporate Governance, Commercial Contracts



Commercial Litigation

Contract Disputes, Commercial Debt Recovery, Director & Shareholder Disputes, Defamation



Business Immigration

Business Visas, Long / Short Term Work Visas, Global Business Mobility Visas, Sponsor Licence



Finance

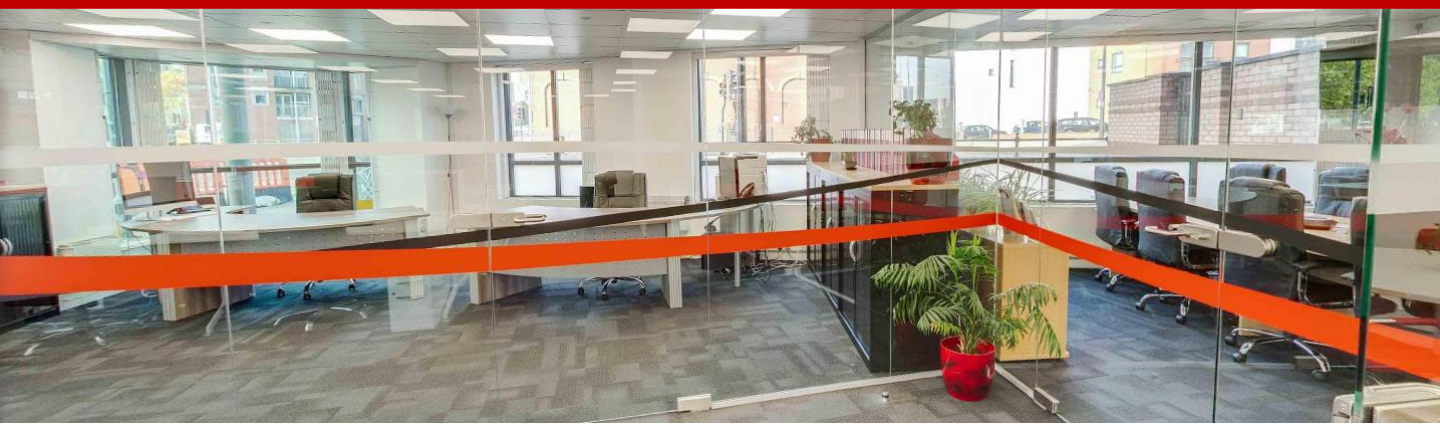
Corporate Finance, Bridging Finance, FCA Licensing, Insolvency



Regulatory & Disciplinary

Director Disqualification, Trading Standards Investigations, GDPR

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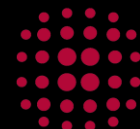


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UK Registered Company

5 Star Reviews



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