

# Grigor & Young LLP

## SOLICITORS & ESTATE AGENTS

### Your Quick-Start Guide to Buying a House

| <u>Your Key Steps</u>   | Typical Countdown   | <u>Your Solicitor's Key Steps</u>                        |
|---|---------------------|--|
| Organise your finance   | ⑩                   |  |
| Organise your solicitor   | ⑨                   |  |
| View <i>Property</i>  | ⑧                   |  |
|   | 7 weeks to purchase |  |
| Instruct <i>Offer and Finalise Mortgage</i>   | ⑦                   | Prepare and send <i>Offer</i>                            |
|   | 5 weeks to purchase |  |
|   | ⑥                   | Examine <i>Title Deeds</i>                               |
|   | 3 weeks to purchase |  |
| Be available for updates  | ⑤                   | Prepare <i>Disposition</i> and Tax documentation         |
|   | 2 weeks to purchase |  |
| Sign documents  | ④                   | Prepare <i>Mortgage deed</i>                             |
| Organise Buildings Insurance  | ③                   | Order <i>Mortgage funds</i>                              |
| Organise your move  | ②                   |  |
|   | 1 week to purchase  |  |
| Transfer funds  | ①                   | Arrange signatures and funding                           |
|   | <b>PURCHASE</b>     |  |
| Notify Council Tax, electricity and other suppliers, banks etc and friends and family |                     | Register <i>Disposition</i> and <i>Standard Security</i> |

#### YOUR QUICK START GUIDE TO BUYING A HOUSE

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## What does that word mean?

**Acceptance** – This can mean different things depending on the stage and nature of the transaction. The Estate Agent, or solicitor will confirm that the basic points of the *Offer* (price, etc.) are acceptable, usually by phone or email. This is known as *Verbal Acceptance*. At this stage there is no binding contract. The written acceptance is usually a *Qualified Acceptance*. A *Qualified Acceptance* needs to be accepted by a purchaser so at that stage there is no binding *Contract*. More rarely the *Offer* could be accepted without any adjustment. This is called a “de plano acceptance”. If there is a de plano acceptance it means that everything is agreed between the purchaser and seller and therefore there is a binding contract between them. The *Qualified Acceptance* and de plano acceptance are prepared by the solicitor and in most circumstances are signed by them.

**Buy-to-Let** – A type of mortgage used if you are buying a *Property* to lease it or for someone else’s occupation.

**Concluded Missives** – (also conclusion of the *Missives* or *Contract*) - This indicates that all points have been agreed between a seller and purchaser in writing and that the *Contract* is binding on both parties. The *Contract* is usually made up by an exchange of letters between solicitors known as *Missives*.

**Contract** – The *Contract* between a purchaser and a seller. Once the *Contract* is in place it is binding on both parties and at that stage is known as “concluded”. The *Contract* is often made up by an exchange of letters called *Missives* signed by the solicitors acting for the purchaser and seller.

**Deposit** – A payment made to the seller in advance of the purchase. This term is also used to indicate the amount you are using from your savings to the purchase price.

**Disposition** – The documents to transfer ownership of the *Property*. It is signed by the seller.

**Land and Building Transaction Tax** – the tax which may be payable on a purchase. Usually a Tax Return must be submitted to Revenue Scotland, even if no tax is payable.

**Missives** – An exchange of letters, intending to have contractual effect, exchanged between the solicitors of the purchasers and sellers. The *Missives* are the *Contract* and are binding on the seller and purchaser.

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## What does that word mean? – cont

**Mortgage** – A loan secured against the *Property*. In Scotland the technical term is *Standard Security*.

**Mortgage Advisor** – A person or organisation who will help find the most suitable *Mortgage* for your circumstances. A *Mortgage Advisor* employed by the lender will be restricted to that lender's products.

**Offer** – This is a letter offering to buy the *Property* stating the principal terms including price, what is to be included in the price, the date of purchase and any special conditions. The *Offer* will usually incorporate standard clauses dealing with such matters as alterations, Reports, etc. The *Offer* is not binding on the parties and is the first stage of the *Contract* or *Missives*.

**Property** – Land including any buildings on that land, or a flat in a block. The word also includes any rights included, such as a right of access.

**Qualified Acceptance** – The letter sent by the seller's solicitor in response to the *Offer*, which is intended to have contractual effect. At this stage the *Contract* has not been finalised and so there is no binding contract between the purchaser and seller.

**Settlement** – Sometimes also known as Completion. This is the day on which the purchase price is transferred by your solicitor to the seller's solicitor, the disposition is delivered to your solicitor, the keys are handed over and ownership is transferred.

**Standard Security** – the *Mortgage* deed. It is registered at the Land Register of Scotland.

**Title Conditions** – Conditions which affect the *Property*. These can include e.g. a restriction on use, and practical matters such as who is responsible for repairs to fences etc.

**Title Deeds** – The documents which confirm the details of the *Property*, including the *Title Conditions* and ownership, which are registered at the Land Register of Scotland. It can also include other documents which are relevant to the *Property* such as Local Authority paperwork for alterations or Guarantees for timber treatment work.

**Verbal Offer** – An approach by telephone or email before an *Offer* is sent. This is often when a purchaser wishes to confirm that a price will be acceptable to a seller, or possibly to check some unusual condition such as the longer than normal timescale. A *Verbal Offer* is not binding on the parties.

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## The Contract

Both purchaser and seller will wish to have the *Contract* in place just as soon as possible.

**Missives.** The *Contract* is usually made up by an exchange of *Contract* letters between solicitors. These *Contract* letters are collectively known as “*Missives*”. These letters are sent on your behalf and you will be legally bound by the *Contract*. If you are unsure about any aspect of the *Contract* you should ask for clarification.

Typically, it takes about a week for an *Acceptance* to be issued. Usually the *Offer* will say that the *Acceptance* is to be received within 5 working days, but that is not always achievable.

Once the *Acceptance* or *Qualified Acceptance* has been received by your solicitor they will check the details and make sure that you are happy with any amendments and information given. This could be done as quickly as a phone call, or particularly if there are a number of issues the solicitor may wish you to see the *Acceptance* and give you a written explanation.

If further amendment to the *Contract* is needed this will be relayed in a further *Contract* letter, but typically this letter has only two or three clauses, which means that when the seller’s solicitor is taking instructions the timescale for this should be fairly speedy.

**Timescale.** You should expect the *Contract* process to take around 3 to 5 weeks, but sometimes the *Contract* is not finalised until the same day as the purchase. Remember if you are funding the purchase with a *Mortgage*, your solicitor may also have to comply with the lender’s requirements. There might be something which is acceptable to you, but needs checked with the lender.

**Binding Contract.** Until the final letter is in place either side can change their mind without being liable to the other. This uncertainty can be frustrating especially if one side feels that the other side is delaying for a reason not directly relating to the *Contract*. Such a delay can make it difficult for both sides to finalise other arrangements. Your solicitor will do their absolute best to make sure that your purchase is on the date scheduled and in the vast majority of cases this is what happens. Your solicitor will give you as much warning as possible if something arises and they do not think that your purchase will be on the scheduled date.

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## Financing Your Purchase

You have decided that you want to buy a *Property*. No matter what type of *Property* you are buying one of the first important steps is to organise your finance.

There could be a binding *Contract* very quickly after a written *Offer* is submitted, so you must be ready to pay the full Purchase Price on the agreed date.

**Mortgage.** This can be done in several ways. An independent *Mortgage Advisor* can assist you in finding the best *Mortgage* for your own circumstances. They have access to many products available from a wide range of lenders.

Alternatively, you can approach a lender direct. This may be a financial institution that you already have a connection with, such as your Bank or existing *Mortgage* provider. Many lenders are accessible either at a face to face meeting or an online application.

Whichever process you use, you could be asked to attend a meeting to discuss your finances. Some lenders, especially if they have a competitive product available, may have a waiting list of a few weeks.

**The Deposit.** You must have the balance of the Purchase Price and the Legal Fees and Expenses ready. For Money Laundering purposes you may need to give written proof of how you acquired the funds.

In Scotland, usually a *Deposit* does not need to be paid in advance of the purchase (unless it is a new build house) and all of the funds for the purchase, fees and expenses are needed in the few days before *Settlement*.

**Help to Buy Finance.** There are various government schemes available and these can be checked on the Scottish Government website.

# The Expenses

Check what the expenses will be before you make an *Offer*.

**Expenses or Outlays.** Most purchasers will pay: -

- Land and Buildings Transaction Tax (which replaced Stamp Duty Land Tax).
- Land Register fee for registering the title.
- Land Register fee for registering the *Mortgage* deed.
- Probably also bank charges to transfer the funds from your solicitor to the seller's solicitor by telegraphic transfer.
- There are additional expenses if you are buying from a builder of the Council or if you are using a Help to Buy scheme

**Land and Buildings Transaction Tax.** Revenue Scotland has an online calculator on their website.

For a residential *Property* if the purchase price is up to £145,000 there is no basic tax payable. If you have an ownership interest in a house (even if you do not live there) you may need to pay Additional Dwelling Supplement, which is a charge of 3% of the price.

**Land Register fee for registering the title of a purchaser.** This is based on scale which is available at the Land Register of Scotland website.

The average price for a semi detached house in Moray is about £148,000. The Land Register fee for a purchase at that amount is £240.

**The Land Register fee for registering a *Mortgage* deed.** This is £60.00.

**Bank charges** will depend on which bank the solicitor uses and usually the bank charges are between £15.00 and £30.00.

***Mortgage* Set Up Costs.** If you are buying please bear in mind that there could also be other costs payable to your lender. The amount will depend on the lender and what type of *Mortgage* you have taken.

## Your Solicitor's Fee

**Fee Quotes.** If you are thinking about buying, ask for a fee quote. Every *Property* is slightly different and solicitors have a different way of working out their fees so try to give as much information as possible:-

- The price range
- Whether or not there is a *Mortgage*
- The location of the *Property*
- Whether you are buying from a builder
- Whether you own another property

There may be other costs which are not apparent when a fee quote is being provided, or at the beginning of your transaction.

**The Fee.** Usually, if you have asked for a fee quote in connection with a specific *Property* your solicitor will be able to make a reasonable guess of the possible complications. They will use the information you have provided as well as local knowledge they have gained from dealing with other nearby properties to provide a fee quotation which is tailored to you and the *Property*.

Even for a low value *Property* without complications you should budget for a fee of at least £800.00 (inclusive of VAT).

**Beware Of Hidden Costs.** If you have been given a fee quotation remember to ask whether additional charges are possible and in what circumstances

Don't be fooled into accepting an attractive headline cost and find that your bill has suddenly increased because you were not told of the likelihood of for example, bank charges. However, remember that some of the costs may not be predictable at the outset. Ask if any part of the process is not covered in the Conveyancing fee – e.g. is there an additional fee for checking you ID documents for Money Laundering purposes?

## The Property

**What is included?** The Schedule of Particulars and Home Report will give an indication of what is included in your purchase. Your solicitor will check the *Title Deeds* and other documents and confirm the boundaries and *Title Conditions* as well as checking that the *Property* has all necessary rights of access etc. Your solicitor will prepare the necessary documents to ensure the ownership is transferred.

- A seller will expect to legal ownership and responsibility for the *Property* transferred and their *Mortgage* discharged at the Land Register.
- A purchaser will expect to be owner of the *Property* without challenge and to be aware of what, if any, *Title Conditions* may affect them from a practical point of view.
- A *Mortgage* lender will expect to have a valid interest over the *Property* and be able to repossess and sell the *Property* if the *Mortgage* conditions are not adhered to.

**Title.** Ownership to the *Property* is transferred by the seller signing a deed known as a *Disposition*, which is then registered with the Land Register of Scotland. The Land Register keeps electronic records and prepare a Title Sheet for every registered property. Your solicitor will receive a copy of the Title Sheet via email - sometimes several months after you have bought. This can be printed, but it is more likely to be held in electronic format. Your "title" cannot be lost and for a small fee the Title Sheet can be downloaded from the Land Register at any time.

**Other documents.** The Title Sheet is not the full story. When we refer to the "title deeds" we are including other documents which need to be kept in a safe place such as documents in connection with alterations to the *Property*, guarantees for specialist treatment work, or other documents which are not sent to the Land Register. You may find that your "title deeds" are kept at different places. Most lenders ask for only the Title Sheet, which means that you or your solicitor keeps the other important documents.

**Practicalities.** Your solicitor will leave it to you to organise practical things such as arranging your move, changing the electricity and other services to your name, and notifying the Council Tax office. You will need to arrange Building Insurance and you will need to show this to your solicitor before they can use the Mortgage funds.

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## Handy list of common costs to check if you are BUYING a house

| MORTGAGE COSTS   |   |   |   | To pay asap | To pay at purchase |
|--|---|---|---|-------------|--------------------|
| Valuation fee  | Y | N | ? | £           | £                  |
| Arrangement fee  | Y | N | ? | £           | £                  |
| Product fee  | Y | N | ? | £           | £                  |
| Mortgage broker/ Intermediary fee  | Y | N | ? | £           | £                  |
| CHAPs / funds transfer fee   | Y | N | ? | £           | £                  |
| VAT to be added to any of the above  | Y | N | ? | £           | £                  |
| <b>LEGAL COSTS</b>   |   |   |   |             |                    |
| Bank Charges   | Y | N | ? | £           | £                  |
| Land and Building Transaction Tax  | Y | N | ? | £           | £                  |
| Additional Dwelling Supplement   | Y | N | ? | £           | £                  |
| Registration - Title   | Y | N | ? | £           | £                  |
| Registration - Mortgage  | Y | N | ? | £           | £                  |
| Advance Notice - Mortgage  | Y | N | ? | £           | £                  |
| Solicitors fee   | Y | N | ? | £           | £                  |
| VAT to be added to any of the above  | Y | N | ? | £           | £                  |
| Is there an additional fee/charge for-<br>Identity/Money Laundering check        | Y | N | ? | £           | £                  |
| Land & Building Tax Return   | Y | N | ? | £           | £                  |
| My lender uses their own solicitor   | Y | N | ? | £           | £                  |
| If the Property is Sasine registered   | Y | N | ? | £           | £                  |
| Alterations/ Contamination issues  | Y | N | ? | £           | £                  |
| Plan Discrepancy issues  | Y | N | ? | £           | £                  |
| Servitude issues   | Y | N | ? | £           | £                  |
| VAT on any of the above  | Y | N | ? | £           | £                  |
| <b>New build house or Council home -<br/>are there additional fee charge for</b> |   |   |   |             |                    |
| Plans Report   | Y | N | ? | £           | £                  |
| Legal Reports  | Y | N | ? | £           | £                  |
| Property Enquiry Certificate   | Y | N | ? | £           | £                  |
| Contamination Report   | Y | N | ? | £           | £                  |
| Company Search   | Y | N | ? | £           | £                  |
| VAT to be added to any of the above  | Y | N | ? | £           | £                  |
| <b>OTHER COSTS</b>   |   |   |   |             |                    |
| Bank charges when I transfer funds   | Y | N | ? | £           | £                  |
| Anything else  | Y | N | ? | £           | £                  |

*Remember - Your PURCHASE might have different costs*

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