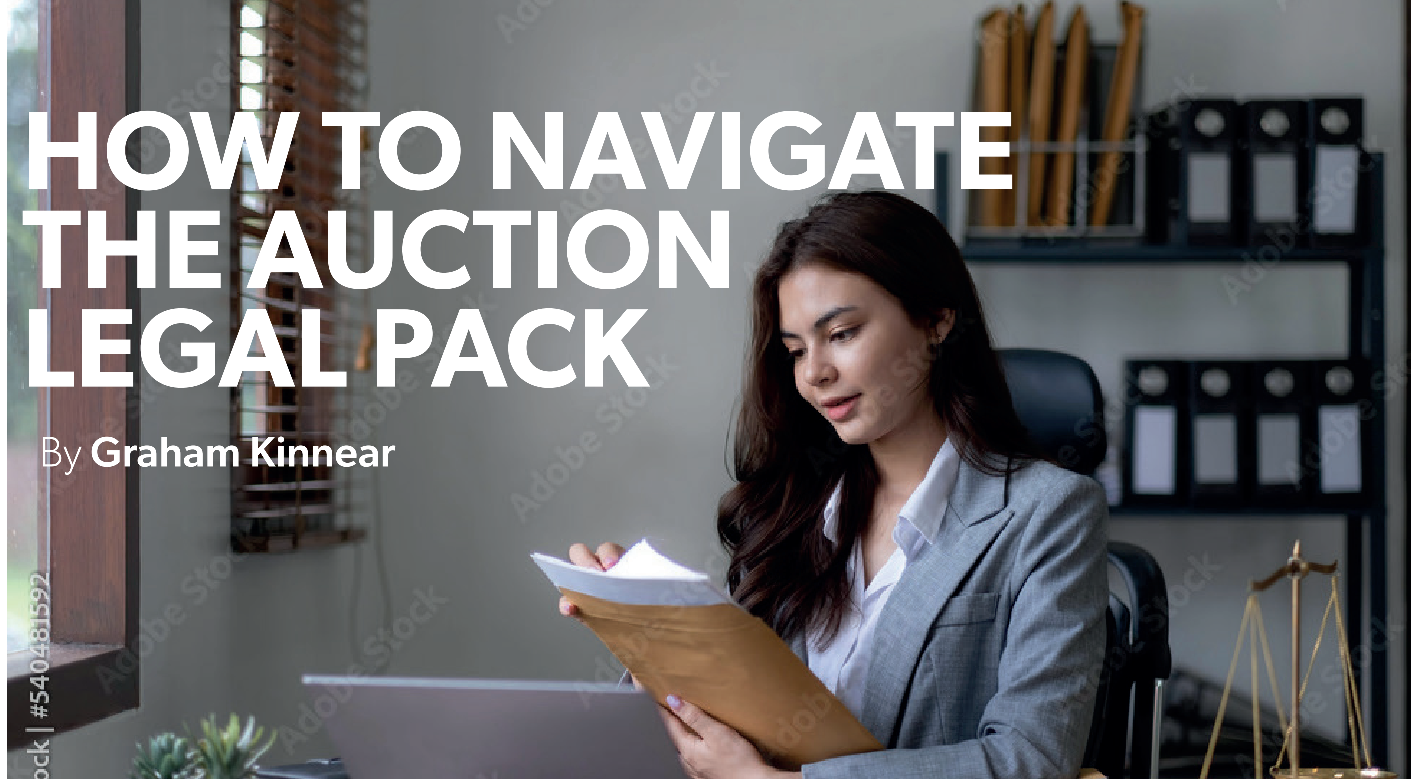

HOW TO NAVIGATE THE AUCTION LEGAL PACK

By **Graham Kinnear**

Many property folk are attracted to the lure of the auction room. A definitive purchase on the fall of the gavel with completion typically 28 days thereafter are the principal reasons that seasoned investors like to buy at auction. However, it requires meticulous preparation and the undertaking of all necessary due diligence before you raise your hand up to bid.

The major task is to go through the legal pack in advance of your bidding. Yet reading an auction legal pack can be a daunting task. For many it will contain language with which you may not be familiar, and for everyone it will be a time-pressured exercise, given that the legal pack is typically only made available a short time before the auction.

Understanding the contents of the legal pack is as essential as viewing the property to allow you to make an informed bidding decision and to avoid costly mistakes. So this month I thought I would provide some tips on how to navigate the auction legal pack.

1. Start with the Auctioneers Guide.
This is the summary of the legal pack which provides an overview of the property being offered as well as the terms and conditions of the auction and any special conditions that apply to each particular property. Be clear on when the auction is, how bidding is conducted and the date by which, if you are successful, you will need to complete the purchase. If you are going to require survey or other access between exchange and completion, check that the auctioneers guide allows same.

2. Check the Title Documents.
These are arguably one of the most important sets of documents as they provide details of ownership, boundaries and any restrictions that apply. Check the Title Plan matches your understanding of the property (which is why a viewing is essential) and ensure there is not a restriction that would impact what you wish to do with the property, or its capital value.

3. Review the Searches.
Nowadays the search pack is quite comprehensive including items such as flood risk, radon as well as any local authority proposals that could affect the property. Check this carefully, as I know too many people who have missed proposals for double yellow lines outside their new home and the like. Even if you are prepared to take a view on any issues that are identified, bear in mind any future lender may not be so relaxed.

4. Check through the Special Conditions of Sale.
These will refer to the payment of deposits, auctioneer's fees and completion dates. They will also detail any potential costs in the event that you complete later than is required. For those buying leasehold or tenanted properties, any arrears of rent or service charge are often packaged up for the buyer to pay on completion. It is also becoming increasingly common that the buyer has to refund the seller for the costs of searches and the preparation of the legal pack. You therefore need to read carefully to understand what your total costs could be in addition to the hammer price.

5. Check for outstanding charges. The legal pack should include details of any charges on the property, such as mortgages and loans. It is important that you understand what needs to be discharged upon completion and that you are comfortable that there are no issues that you will inherit. It is possible, for example, for a new owner of a property to be chased for the Section 106 obligations of the original developer, so you should exercise care when reviewing any liabilities.

6. Revisit the Legal Pack again once you have viewed the property.
You will read it in a new light having now seen the property it refers to. Your inspection of the property may have alerted you to a moved boundary or shared wall and you can refer back to the Title Plan for clarification.

7. In addition to the legal pack, try and do some online due diligence too.
The planning database and building regulations are all available online and should give you an insight as to any outstanding enforcement issues, but also to understand when any subsequent alterations or additions were undertaken. Searching the address online can also lead you to articles about the neighbourhood which may assist in your decision-making process.

8. Seek professional advice.
Regardless of how many properties you have bought, it remains true that each is a significant investment and mistakes can be costly to rectify. A few hundred pounds on some professional advice could save you many thousands in the long run.

In conclusion, reading an auction legal pack requires careful attention to detail and a good, holistic understanding. I wish you well with your bidding!

As always, I am happy to assist YPN readers and can be contacted on 01843 583000 or graham@grahamkinnear.com