



### **Purchase of Residential Leasehold Property**

At the outset of the transaction there are certain formalities that we need to observe. We will provide you with an “engagement” letter, which will set out the basis upon which we will act on your behalf, we will provide you with a copy of the Firm’s terms and conditions and will also set out for you the specific fees and disbursements relating to the transaction. If you are a new client of the Firm, we will need to obtain certain documents from you in order to satisfy the anti-money laundering regulations.

The first stage in the actual transaction will be for us to receive the contract documentation from the seller’s solicitor. Ordinarily this will comprise a draft contract, title documentation including the lease, replies to standard form enquiries and then some miscellaneous documentation such as planning documentation, deeds and warranties etc. Generally, we would advise receiving this documentation first, and ensuring it is broadly acceptable, before we start incurring search fees on your behalf (see below).

One point which needs to be considered at an early stage is whether or not your seller will need the landlord’s consent to assign (i.e. sell) their lease to you. If they do, the seller’s solicitor ought to make an early application for that consent and the landlord will almost certainly require some input from you in that regard. The landlord will want evidence that you are a responsible person to be the new tenant and that you can afford the service charge etc. Where landlord’s consent is required and depending on the parties’ timing requirements, we will need to consider whether or not it might be appropriate to have a contract where completion is conditional on procuring the landlord’s consent to the assignment.

Assuming all is broadly acceptable, at this stage we will begin a due diligence process on the property itself. We will go through the documentation which we have been sent and identify whether or not the documentation is full and complete or whether there are missing documents or information that we need to see. For example, it is very common for a seller’s solicitor to supply us with a copy of their client’s registered title, but not copies of the documents which are referred to on that title. We will raise additional enquiries of the seller to ascertain answers to all the issues and questions we need in order to give you, in due course, a full and detailed report on the property you are seeking to purchase.

Most importantly, we will consider the terms of the lease itself. It is not unusual for a lease to be entered into, and then change hands several times, before a problem with the lease is discovered, especially as what is and is not acceptable changes over time.

As part of the due diligence exercise we will commission a number of searches with external third parties. The extent and nature of these searches will depend upon the type and location of the property itself. For example, if you are buying a property in an area near to where any former mining activities have been undertaken, we will carry out a specific mining search. Generally, we will undertake whatever searches are appropriate in relation to the specific property you are buying. The searches listed below however are the standard searches which ordinarily we would carry out on each purchase transaction.

Once we have concluded our due diligence exercise, or possibly nearly concluded it subject to one or two outstanding matters, we will then compile a written report on title for you together with copies of all relevant documents for you to keep and refer to in the future, as and when needed. This will be a substantial document which in certain circumstances, where there are identified problem areas in relation to the property, you may need to decide whether or not to proceed with your purchase or not. Of course if there are any problem areas we will try to advise you on these as early in the process as possible and also advise you whether or not in our opinion you should proceed with your purchase.

Nearing the point of exchange of contracts, the parties, if they had not already done so, begin discussing a completion date which is of course the date when possession of the property must be provided, legal ownership (& keys !!) are transferred and the money actually changes hands. As part of that process, we will drawdown your mortgage funds (if applicable) and ensure that your mortgagee is happy with the process. You need not have no further contact with the mortgagee at this stage and we will deal with all the paperwork for you. Unlike many other firms, we will not make a separate charge for dealing with those matters.

Once we have completed, we will need to deal with various statutory bodies on your behalf. First of all, we will need to pay any stamp duty land tax ("SDLT") which is due on your purchase. We will advise you on the amount of stamp duty land tax which is going to be payable on your purchase on a deal specific basis, as there are several factors which are now involved in the calculation process, such as whether or not you are a first time buyer or own multiple properties.

However, in order that you may consider your SDLT liability as early as possible, the following is a link to the HMRC website – <https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax/#/intro> – so you can see the basis upon which the calculation is to be made. Generally, the rates of SDLT increase in increments as the value of the property increases. There is also a capped nil rate band for first time buyers.

It will then be necessary to register your new property in your name at H.M. Land Registry and based on the value of your new property the fees payable are as follows:- <https://www.gov.uk/guidance/hm-land-registry-registration-services-fees>.

We will also register the mortgage of the property.

Whilst it is the seller of leasehold property that bears most of the landlord's costs in connection with the sale, we will need to prepare and serve upon the landlord a notice of the assignment to you and of any mortgage you have taken out. You will be obliged to pay the landlord's registration fee for that notice which is usually set out in the lease itself. A typical fee is between £40-£60 per notice.

There may also be some administration fees payable in connection with the transfer to you of any share or shares in the management company which is involved with the running of the estate or building of which the leasehold property forms part.

The above is of course merely a brief summary of the transaction, but does give you an overview of the main stages which are involved.

Our fees and disbursements in connection with a relatively standard residential leasehold purchase are:-

<u>Sale Price</u>	<u>Fee</u>
Up to £450,000	£2,250
£450,001 - £500,000	0.5% of the sale price

For the purchase of residential properties above £500,000, fees are available upon request. Please e-mail us through the website or speak to your existing contact at the Firm.

The disbursements (i.e. payment to third parties) involved usually include the following and the figures quoted are an approximation only:-

- SDLT see above
- H.M. Land Registry fee see above
- Local Authority Search £300.00
- Highways Search £160.00
- Water & Drainage Search £ 75.00
- Environmental Search £ 65.00
- Chancel Check £ 26.00
- CHAPS transfer £ 10.00
- H.M. Land Registry Search £ 4.20
- Bankruptcy Search £ 3.20

The main search fees above will vary slightly from authority to authority. We can quote you more accurate figures for the disbursements once we have the details of the actual property. For each CHAPS transfer we will also charge an additional administration fee of £20.

All fees and disbursements referred to above (apart from the SDLT and the H.M. Land Registry fee) are subject to the addition of VAT at 20%.

There may of course be specific and additional disbursements, for example, local authority fees required to obtain copy planning documents, where needed.

Certain leasehold properties are subject to the provisions of the Building Safety Act 2022 ("the Act") which is the government's latest response to the cladding crisis. The relevant sections of the Act apply to buildings which are at least 11 metres or 5 storeys high, contain at least two dwellings and are not leaseholder-owned buildings. We can discuss the Act in more depth if it applies to the property you are purchasing, and if the Act does apply we will likely need to be provided with, and review the 'leaseholder' and 'landlord' 'deeds of certificates'. This process is intricate and can lead to further fees, which we will discuss with you beforehand, where necessary.

Please note that unlike many other firms, there are no further hidden or additional charges beyond those which we have set out above. For example, we will not charge you any additional fees for compiling your SDLT return or for dealing with any conditions included within your mortgage offer. Many firms that may have a lower “headline rate” than us, will usually charge additional fees for additional specific tasks.