

A GUIDE TO

# BUYING *at auction*



SPF

Part of **HOWDEN**



## A GUIDE TO BUYING AT AUCTION

An auction purchase is different from a standard residential purchase due to the time constraints, as you typically only have four weeks to complete. On purchasing the property on the day of the auction, you are automatically required to pay a 10 per cent deposit based on the sale price, entering into a legally binding contract with the vendor and you must pay the balance of funds within 20 working days.

As this is a higher risk area, it's important to ensure your finances are lined up ahead of the auction. If you are using a bridging loan to purchase the property, it's key to use an experienced mortgage broker who understands the market and the process involved with buying at auction.

### Legal process

The corresponding 'legal pack' for the property should be available prior to the auction, containing information on the relevant searches and details of the property's title. You should read through this and watch out for any clauses which could create a problem with getting a loan on the property, or selling it in the future.

You will need to appoint a solicitor ahead of the auction, who will act for you on the purchase and they should be able to review the legal pack for you to

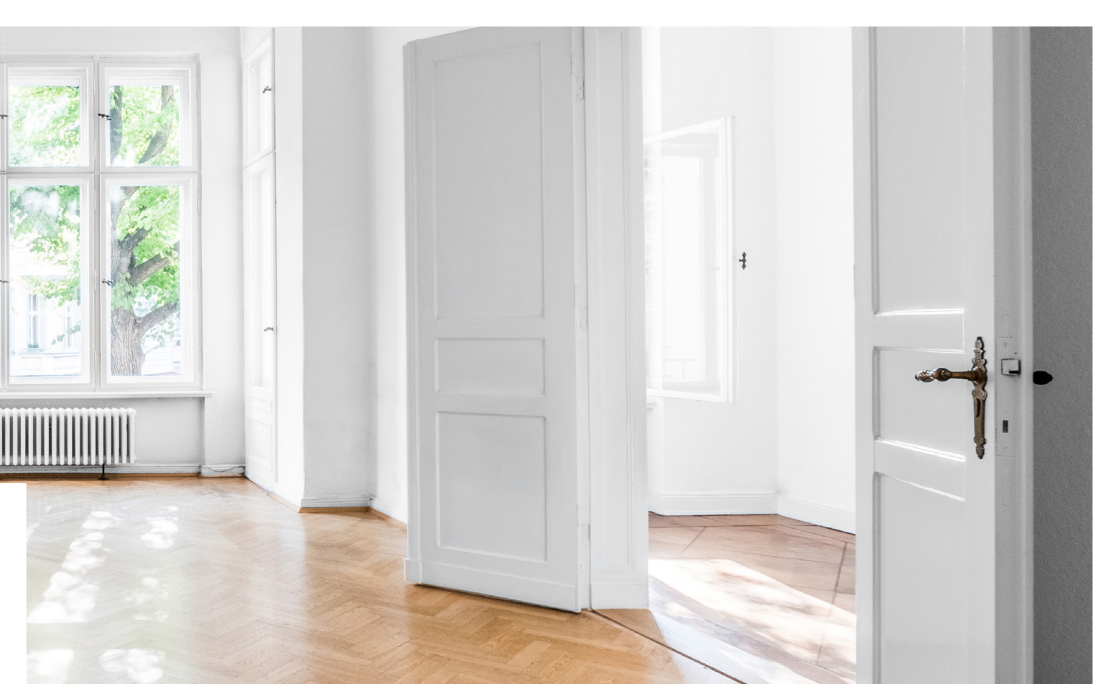
confirm there is nothing which would prevent a lender from registering their charge against the title. SPF Private Clients (SPF) can put you in touch with solicitors who deal with these high pressured and time-sensitive purchases. If any issues are flagged, SPF can discuss these with you and the potential lender, prior to the auction as many issues can be resolved with sufficient preparation time. We recommend using a solicitor who has dealt with auction purchases before and who has capacity to do the work involved, as they will need to act a lot quicker than on a traditional purchase.

### Valuation

We highly recommend you view the property ahead of the auction. You can also arrange a survey on the property which will flag any issues although access can generally be difficult. Many auction properties are in need of refurbishment. If there are works to be done to the property, we advise you visit it with a builder or chartered surveyor, to establish the extent of the works and to make sure you have factored this into your budget.

### Other costs

The costs involved with an auction purchase will normally include solicitors fees, survey fees, Stamp Duty, agency fees and cost of works.



Don't forget to check the small print and the terms and conditions of the auction house. Familiarise yourself with the conditions of sale as there will normally be a buyer's premium that can add several percentage points on to the consideration.

SPF are experts in auction finance having completed on hundreds of auction purchases with all the major auction houses, across all types of properties. We work with both bridging and mortgage lenders to deliver the most competitive and suitable mortgage for your circumstances. We are happy to provide you with an 'agreement in principle' ahead of the auction, which will normally be subject to valuation, legals and standard due diligence. You need to have a 10 per cent cash deposit available on the day of the auction.

Often properties being purchased at auction do not meet mortgage lenders' criteria as they are uninhabitable and may not have a working kitchen and/or bathroom for example. In this scenario, you may need to use a bridging loan to complete on the purchase, complete the required refurbishment works, and then refinance onto a mortgage.

The 20 working day turnaround is restrictive for mortgage lenders and they aren't always able to meet these timeframes, unless you have started an application and ideally have a mortgage offer. Where mortgage lenders are

unable to complete within the timeframes, bridging finance can be used for speed. You will then be able to refinance as soon as you have completed on the purchase.

#### **In summary**

Buying at auction can be a good opportunity to get a bargain, as often the properties being sold are repossessions or distressed sales, however this is not always the case. It's important to budget for all the costs involved.

Ensure you have your finances in order. If you are unable to complete by the auction deadline, your 10 per cent deposit is at risk.

In theory, if you have a high street mortgage in principle agreed prior to the auction you could complete using a mortgage, but things rarely go to plan and high street lenders can't guarantee they will be able to meet the deadline. In these scenarios, bridging finance can be utilised as it's much quicker to arrange. We are then able to arrange a mortgage for you once the property has been purchased to pay off the bridging loan. Speaking with an experienced broker and thoroughly researching the property is advisable. SPF are happy to provide advice and an 'agreement in principle' free of charge prior to the auction.

Please contact us to find out more about how we can help you with your auction purchase.



## CONTACT US

To find out more about how we can help you please contact:

### **Amadeus Wilson**

*Head of Short Term Finance*

☎ +44 (0)20 7330 8574 ☎ +44 (0)7581 140 592  
✉ [awilson@spf.co.uk](mailto:awilson@spf.co.uk) 🌐 [spf.co.uk](http://spf.co.uk)

### **Laura Toke**

*Bridging Relationship Director*

☎ +44 (0)20 7330 8526 ☎ +44 (0)7717 355 710  
✉ [ltoke@spf.co.uk](mailto:ltoke@spf.co.uk) 🌐 [spf.co.uk](http://spf.co.uk)



THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.  
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS  
ON YOUR MORTGAGE.

*A maximum fee of 1% of the loan amount is payable – for example on a mortgage of £100,000 the fee would be £1,000, the exact fee will be dependent on your circumstances. For Bridging Finance where the net loan amount is £150,000 or below, the maximum fee we charge is £1,995.*

SPF Private Clients Limited is authorised and regulated by the Financial Conduct Authority (FCA).  
The FCA does not regulate some forms of buy-to-let and commercial mortgages.