

Wollen Michelmores

SOLICITORS

SNAKES AND PROPERTY LADDERS

The first step onto the property ladder may well be the most difficult. If you are considering purchasing your first property, no doubt you will be focusing on saving for a deposit. It is an important step but caution should be exercised at this stage of the transaction however as there are further costs which you may not have taken in to account as part of your budget. Some of the deposit may have been lent to you by a relative and there are some requirements which may need to be dealt with before you can use the deposit money.

The points below may assist you in avoiding any unnecessary nasty surprises.

As well as your legal fee, each purchase will incur costs often referred to as disbursements. The two key disbursements which you will be liable to pay are 'searches' and the Land Registry fee. Searches will be a necessity if you are purchasing the property with the assistance of a mortgage lender. The lender will require your legal advisor to examine the results of each search and report on any problems revealed by it. Search fees can vary depending on the local authority or search provider and you will be advised at the beginning of the transaction of the amount you will need to pay. Once the purchase has completed, you will be registered as the legal owner of the property at the Land Registry. The Land Registry will charge a fee for completing the registration.

You will also be required to pay Stamp Duty Land Tax if the purchase price of the property is above the minimum threshold of £125,000. The HMRC online calculator can provide a helpful indicator of the amount you will have to pay. However, the rules on calculating Stamp Duty are far from straightforward and you should contact a legal advisor to assist with this. To further complicate matters, you may be liable to pay an additional 3% on top of the Stamp Duty already due if you own an interest or share in another property. Make sure you notify your legal advisor should you be in this situation.

If you have been saving for your deposit using a help-to-buy ISA scheme and are intending to use the 'bonus' facility, check the terms and conditions of the account carefully before attempting to withdraw any money. Before the bonus can be activated, you will need to obtain a 'closure letter' which must be passed on to your legal advisor. Be aware that the bonus is not available until after contracts have been exchanged and therefore you will not be able to use the facility as part of your deposit. If you are using a gift from a family member or friend to fund either part of or the whole of your deposit, make sure you tell your legal advisor at the earliest opportunity, along with your mortgage lender.

Towards the end of the transaction, your legal advisor will prepare a completion statement showing the balance you will need to pay in order to complete your property purchase. This is usually produced after an exchange of contracts has taken place, however you may wish to request a preliminary statement at an earlier date if you want to know approximately how much you will need to raise. If you have considered the issues and budgeted for the extra costs discussed above, the amount you require to complete the transaction will not be a total surprise.

Wollen Michelmores Solicitors has a specialist property team who can help you (or your family members) through the up and downs of the property ladder. Reuben Barnett is available to discuss this article or any other aspect of a property purchase on 01803 213251 or email Reuben.Barnett@wollenmichelmores.co.uk