

JARGON BUSTER A-C

Absolute Title

This is a Land Registry classification of freehold or leasehold ownership of property where there is no qualification or concern as to that ownership.

Adverse Possession

This arises where someone is in possession of property without the permission of the owner. If possession has lasted for a minimum of 10 years (in some cases 12 years is required) it may be possible for the person in occupation to claim ownership of the property. The ownership would be classed as "Possessory Title".

Breach of Contract

This occurs where a party to a Contract fails to comply with the terms and conditions of the Contract. This may occur for example where one party fails to complete a sale or purchase transaction on the completion date set out in the Contract.

Building Regulation Approval

Building work often requires Building Regulation Approval in addition to Planning Permission. It is sometimes said that Planning Permission governs what a building looks like externally whereas Building Regulation Approval applies to how a building is constructed. Building Regulation Approval applies to matters such as structural integrity, insulation, heating and electrics.

Caveat Emptor

This is a Latin phrase which means "Let the buyer beware". Caveat Emptor applies on the purchase of a property because there is usually no recourse against the sellers if the buyers discover after Completion that there are defects with the building or any of the appliances, equipment or fittings. It is up to the buyers to ensure that they are happy with all aspects of the property before Exchange of Contracts. There are some limited circumstances in which there could be a claim against sellers, such as where the sellers have deliberately misled the buyers and the buyers relied on that information. Usually that confirmation would need to be in writing. Buyers should assume that all risk passes to them on Completion.

Client Account

This is an account in the name of a firm of solicitors where money belonging to clients is held and is

separate from the normal trading bank account of the business. As such the clients' money is safeguarded.

Completion Date

This is the date specified in the Contract upon which the sale or purchase transaction will be finalised. This therefore represents the date when the buyers and sellers move and the exchange of money and keys takes place.

Completion Statement

The statement which we prepare showing the financial dealings relating to your transaction including any money required from you or due to you on Completion.

Contract

The signed agreement made between the buyers and the sellers of a property which sets out the agreed terms. Our Contract refers to Law Society's "Standard Conditions". We do not provide a copy of those Standard Conditions but we check the Contract on your behalf to ensure that it is effective and satisfactory. You do not need to concern yourself with the small print but you must check that your names, address and the property price are correct.

Contract Interest Rate

This is the rate of interest payable by the buyers if they delay Completion (the sellers may be entitled to other compensation too). Contracts often incorporate the Law Society's standard Contract Rate and this is currently 4% above the base rate of Barclays Bank. So as a minimum interest for delayed completion will be charged at 4% above base rate, but please be aware that sometimes the Contract Rate will be substantially above that figure.

Conveyance

This is an old style of document by which freehold property used to be transferred. These days a Transfer Deed in standard Land Registry format is used rather than a Conveyance.

Covenant

This is a binding obligation or enforceable promise. Covenants will normally bind both the current owner of a property and future owners. This is certainly true with "Restrictive Covenants" which

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are covenants not to undertake certain actions or allow certain things to occur. Sometimes "Positive Covenants" which are requirements to undertake certain actions or make payments (ie, an obligation to pay maintenance charges) are not binding on future owners of freehold property.

Deposit

This is the money paid by the buyers of a property (via their solicitors) to the sellers on Exchange of Contracts. Normally a 10% deposit is payable. It is paid to the sellers' solicitors and is usually held by them. However, if the sellers are themselves buying another property the deposit is usually passed "up the chain" and used on that related purchase transaction.

Disbursement

This is a term used by solicitors to refer to fees paid to third parties such as the Land Registry or to the Local Authority.

Easement

A right over someone else's land which benefits your property is an Easement. There are many types of Easements including rights of way, the right to use the pipes and wires which pass under or over a neighbouring property and rights of entry to undertake repairs.

Exchange of Contracts

This is the point at which the Contracts signed by the sellers and buyers are dated by their solicitors and the agreement to sell and buy the property is binding. Each solicitor holds a copy of the Contract signed by their clients and the solicitors agree with each other on the telephone that they will each date their part of the Contract and that copy is then posted to the other solicitor. The buyers' solicitor sends the deposit money to the sellers' solicitor together with the Contract.

Fittings and Contents

The items which are left at a property and are included in the sale. Often these are items physically attached to the building such as fitted wardrobes but items such as carpets and curtains would also fall within this category if they are shown on the Fittings and Contents Form as being included.

Freehold

Properties are usually either Freehold or Leasehold. Leasehold properties are those held under a Lease. Houses are normally Freehold properties whereas flats are usually Leasehold.

Full Title Guarantee

Properties are usually sold with a Full Title Guarantee which means that the sellers confirm that they have full authority to sell it and it is free from any undisclosed rights or other burdens. Also see Limited Title Guarantee.

Joint Tenants

If people own a property as Joint Tenants it means that they are entitled to an equal share of the equity and if one of them dies the survivor(s) will automatically acquire the deceased's share. Also see Tenants in Common.

Lease (Leasehold)

A Lease is a document between a Landlord and a Tenant. Flats are usually held under a Leasehold arrangement. Leases are usually granted for a fixed period (for example 999 years or 125 years). With shorter term Leases an annual rent may be payable. The reason that flats are Leasehold is because with a shared building there are usually many rights granted and many restrictions or obligations imposed on the occupants and the best way to ensure that those rights and obligations can be enforced is to put them into a Lease. The Landlord or Management Company can then exercise control over the effective functioning of the shared building. The same considerations do not apply to a single house. Within a Lease there will usually be obligations to contribute to a Service Charge and having a Lease is the mechanism for the Landlord or Management Company to ensure that the money can be collected.

Limited Title Guarantee

Limited Title Guarantee is a guarantee which is similar to "Full Title Guarantee" (see the definition above) but the sellers are only liable for the accuracy of information which is within their direct knowledge. It is accepted practice that Limited Title Guarantee will be provided by Executors, Trustees or other people who have not lived at the property and so have limited knowledge about it.

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Management Company

A Management Company is a Limited Liability Company which either owns property or has responsibility for maintaining a property or part of it. They occur with both Freehold and Leasehold buildings although they are more common in a Leasehold situation.

With Freehold properties a Management Company is sometimes created to hold the ownership of a shared or common area such as an unadopted driveway used by the owners of a number of houses. Instead of the driveway being owned by one person who grants a right of way to the others, all the owners of the houses would be members of the Management Company and the Company then holds the driveway for the joint benefit of all of them. On the sale of one of the houses the sellers simply transfer to the buyers their Share in the Company.

With Leasehold flats or apartments the structure and common parts of the building will be owned by a Landlord or by a Management Company. An alternative is for the structure of the building to be owned by the Landlord but an associated Company undertakes or organises all the maintenance work. A Landlord will either (a) retain control and ownership of the Management Company or (b) the Landlord may transfer the Shares in the Management Company to the owners of the flats/apartments, so that those Leasehold owners have control over the Company and as a result the Leasehold owners will have more control over what happens at the building. There is not always a Management Company with Leasehold properties. With some buildings the Landlord operates without one.

Mortgage

A Mortgage is a loan secured against a property. A mortgage lender is usually able to enforce the sale of a property to recover money due to them if there has been a breach of the terms of the Mortgage Agreement.

NHBC Guarantee

A guarantee which gives protection against structural and other defects which are discovered within a specified time period after a property has been built.

Planning Permission

This is consent granted by a Local Authority in respect of works carried out at a property. Technically Planning Permission is required for a very wide range of works including any extensions, creating a new driveway and even painting the front of a house. However, "Permitted Development Rights" allow many works to be undertaken without the need to apply for Planning Permission. Sometimes Permitted Development Rights are withdrawn for particular properties or in certain areas and so if any works are to be undertaken it is necessary to check whether Permitted Development Rights apply and if the proposed works fall within the scope of permitted development.

Possessory Title

See comments under "Adverse Possession".

Redemption Figure

The amount required to pay off a Mortgage secured on a property. We will obtain a redemption figure from your mortgage lender if you are selling a property which is subject to a Mortgage.

Searches

There are a number of searches which can be undertaken. Mortgage lenders require us to undertake a Local Search as a minimum when acting for buyers purchasing a property. We will inform you of the main types of additional searches which can be undertaken.

Service Charge

There is usually a service charge to be paid by a Tenant to a Landlord with a Leasehold property but sometimes with Freehold properties there are also maintenance charges for items such as the maintenance of shared driveway or parking area.

Share of a Freehold

Sometimes when buying a Leasehold flat or apartment, a share of the Freehold of the building is included. This will not apply if there is a Landlord who has retained control and ownership of the building. It can however arise in 2 situations. Firstly there may be a Management Company (see definition above) which owns the Freehold of the building and the Leasehold owners each have a share

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in the Management Company and be directors of the Company. Secondly the Freehold may be held in the joint individual names of the Leasehold owners. In either of these situations the purchase will still be a Leasehold purchase because most of the value of the property rests in the Leasehold ownership. The shared interest in the Freehold of the building is simply joint ownership of the parts of the building which are not included in any of the Leases (such as a shared driveway, entrance hall and other communal areas, and usually the structural parts of the building, such as the roof, foundations and main supporting walls). So if you are offered a share of a Freehold, you will almost certainly be buying a Leasehold property with a joint ownership arrangement for the retained parts of the building. The advantage is that this does give you some say over the Freehold although decisions will still require agreement from a majority of the joint Freehold owners and this is important when it comes to matters such as the cost of repairs to the building or an extension to the term of your Lease.

Stamp Duty Land Tax

Stamp Duty Land Tax is payable to the government by buyers of most properties over a threshold figure. The sum due will be shown in the estimate which we provide at the beginning of a purchase and will also be shown in the Completion Statement.

Bank Telegraphic Transfer

This is the electronic transfer of money from one bank to another. On the day of Completion money is submitted by bank telegraphic transfer. On a sale we will also forward the net proceeds of sale to you by BTT unless you prefer a cheque.

Tenants in Common

If more than one person owns a property they can hold as Joint Tenants (see earlier definition) or as Tenants in Common. If the property is held as Tenants in Common it means that the parties are each entitled to a specific share of the equity and if one of the owners dies their share does not automatically pass to the survivor(s) but instead it will pass in accordance with the terms of their Will.

Title Indemnity Insurance

This is an Insurance Policy which protects against a legal defect with a property.

Transfer Deed

This is the document which transfers the ownership of property and is registered at the Land Registry.

Vacant Possession

Vacant possession must be provided on Completion of a sale. This means that the property is free of occupants and of any moveable items unless it has been agreed that those moveable items are to remain.