

A Guide To Buying At Auction



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Important note

The information in this booklet is intended for guidance only.
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What we do and how we do it

The Essential Information Group, 'EiG' is the only website that has comprehensive information on every property auction held in the UK. We cover on average 175 auctions each month and have over 430 auctioneers on our system. Each year over 35,000 lots are added.

What is available on the eigroup.co.uk website

EiG has three key areas in which we will assist you in your dealings at property auctions:

1. Having collected full information on virtually every property auction since 1991, we have a database of over 650,000 past auction lots. This database will give you the knowledge to see whether the property has been to auction before, what similar properties are selling for and what you might have to pay for similar lots.
2. As soon as a catalogue is released (on average there are 160 auctions a month offering over 3,000 lots nationwide) we publish full information about the lots on the site. This allows you to search on what is coming up in a similar fashion to rightmove and Zoopla
3. In addition to the two features above, you can set up an 'Auction Elert' that allows you to run searches on the website to find property that matches your criteria based on property type, location, date, and other parameters. An 'Elert' system is also available to enable you to receive regular emails of properties matching your criteria.

Auctions vs. Estate Agents

The essential differences between the two methods of purchasing a property are:

1. An auction is held on a specific day on which a property will be offered for sale, whereas with estate agents the date for exchange of contracts is not generally fixed.
2. Once the hammer has dropped there is a legal and binding contract, and contracts for the sale of the property are exchanged and the purchaser cannot be gazumped or back out of the contract. However with a private treaty purchase, simply having one's offer accepted does not automatically secure you the property.
3. Before bidding at auction the prospective purchaser must, and is deemed to have carried out all his surveys and legal enquires. With private treaty sales these are normally carried out after the offer has been accepted.
4. A bid in the room is unconditional* whereas an offer to purchase a property through an agent is usually 'subject to contract'.
5. Auctions tend to have a wider range of properties, offering more scope to purchasers.

**unless it is offered on a conditional sale basis*

What to do once you have found a suitable lot

You will probably have found out about the lot via the internet. However it is essential to obtain the catalogue of the relevant auction prior to incurring any expense in relation to the purchase of the property. The catalogue will contain the general and special conditions of sale as well as forms of proxy bidding etc.

Notwithstanding protection afforded by legislation it is imperative that you personally confirm that the details and description of the property on the web and in the catalogue are correct. You are to a large extent buying what is there and in any event you would not want to become involved in a lengthy dispute over a misdescription issue.

Guide Prices

The guide price is a good indication as to where the reserve is or will be set. It is not a valuation of the property though it may well sell for a figure close to or at the guide price. It is subject to change throughout the period prior to the auction and it is advisable to keep in contact with the auction house to monitor changes. Do not automatically expect to be able to buy the property at the guide price as it may well sell for a much higher figure if there are several bidders chasing it.

Registering your interest

If you find a lot you intend to bid on you should register your interest with the Auction House who will endeavour to keep you informed of any relevant information concerning the property.

Viewing

You will need to call the Auction House to find out what the viewing arrangements are. They will generally fall into one of the following categories:

Unaccompanied: You will be expected to collect the keys from the Auction House, or their joint auctioneers, view the property and then return the keys. It is best to make an appointment to ensure the keys are available and a returnable deposit may be required.

Accompanied: A member of staff from the Auction House or the joint auctioneers will meet you at the property.

Pre-arranged viewing: The Auction House will publish set times at which viewings can be made. Details are generally to be found in the catalogue or on the auction house's website. This is very common with the larger auction houses.

Important Note

It must be stressed that if you are the successful bidder, at the fall of the Auctioneer's gavel you will be under a binding contract incorporating the General Conditions and Special Conditions of Sale. You will be required to pay a deposit, usually 10% of the purchase price, sign and exchange the Memorandum of Sale before leaving the Auction room and complete the purchase on the specified day, (usually 28 days later).

There will also usually be a buyers administration fee of typically between £200 and £700, and in some cases a buyer's premium as well or additional vendor's costs. Check the general and special conditions of sale for more information.

Finance

It is absolutely essential that prior to bidding for a particular lot and signing a Memorandum of Sale you are able not only to pay the deposit (usually 10%) but also the balance on completion (normally 28 days later). If you need to raise a mortgage, you should have the mortgage offer prior to the Auction day and the lender will invariably require a valuation report. The lender will advise you as to who are their acceptable valuers.

Some purchasers now arrange bridging finance for the short term (1-6months), and then arrange longer term finance during this period. Whilst this bridging finance is generally more expensive than a mortgage or bank loan the requirements are less stringent, with a decision in principle being given over the phone and paperwork completed in days, not weeks. Typical rates would be arrangement fee of circa 1% with a monthly interest charge ranging from .75% to 1.25%+. In addition there is sometimes an exit fee. The maximum loan to value 'LTV' that is generally available is 70-75% though this can be increased if you are able to provide additional security. It is a very effective form of facilitating a purchase that would otherwise not be possible.

It is important to note that even if you have an offer of finance, do check the terms carefully and look out for a retention clause. This is where the lender may withhold all or part of the funds until any a set list of works or tasks have been completed. These might include addressing structural issues, fitting kitchens and bathrooms, dealing with damp or correcting issues with the legal documents.

Legal Enquires

At the earliest moment you should ensure that your solicitor has a copy of the catalogue so that he can inspect the 'General' and 'Special' conditions of Sale contained therein (specials often available separately). Your solicitor will then, on your instruction, make the usual pre-contract enquiries and report to you on title, searches and other legal matters. The vast majority of the auctioneers make the documents available to download from their website and most systems will advise you if there are additional documents added or a change to the status of the lot.

It is advisable to inform the Auction House at this point of your serious interest in a particular lot so that should there be any changes they can refer them to you, (though they are not under a duty to do so). The majority of auction houses make the legal documents available on line. Note that the legal packs may be incomplete or only available a few days before the auction.

If at the end of your enquiries you are not happy and comfortable with the legal position of the property, the best advice is not to bid

Survey

By bidding for a particular lot you will be deemed to be satisfied with all aspects of the property. You will have no recourse against the Auction House or vendor if you subsequently find faults with the property. It is therefore advisable to consider the need for a structural survey prior to the Auction.

Sales Prior to Auction

Auction Houses will be happy to put up any offer you make in writing prior to the Auction to the vendor. By buying a property before the Auction day you can remove the risk of being outbid. To do this you will be required to attend their office, sign the Memorandum of Sale and pay the deposit - as with buying at Auction, this constitutes an exchange of contracts, so all your enquiries and surveys must have been carried out.

Even though your offer may have been accepted, the vendor is still at liberty and able to sell to another person or change his mind. It is not sealed until you sign and exchange.

Insurance

It is advisable to ensure that the property is covered under the vendors' insurance policy and that it will remain so until completion. If in any doubt arrange your own.

Auction Day

It is advisable to be present at the beginning of the session so that you can hear any announcements made by the Auctioneer and familiarise yourself with last minute amendments that might have been made. These will be printed on the 'addenda' sheet and it is imperative to see if any of the amendments relate to your particular lot as they will be attached to and form a part of the Memorandum of Sale and contract. The Auctioneer will be happy to deal with any last minute questions you may have but he may be fairly limited in his ability to answer questions of a complicated or detailed nature on the day.

If you are unsure about something do not bid! You are deemed to have read, agreed with and understood both the general and special conditions of sale, the addendum, and heard the announcements.

Bidding

When the lot you are interested in comes up, the Auctioneer will announce the address so check it is the property you have come to buy. (The author has seen bidders referring to other auction catalogues with disastrous results). You will need to catch the Auctioneer's eye by lifting either a catalogue or arm. After accepting your bid, they will return to you should they receive a higher bid from someone else.

Prior to the fall of the hammer, the Auctioneer will generally warn you the end of the bidding is near three times, by saying: "For the first time, for the second time, for the third and final time - sold". If you are not going to be the successful bidder and wish to increase your bid do not delay too long, as the Auctioneer may not see your increased bid and you will lose the property. Once the gavel has fallen, the auctioneer will not entertain other bids.

Successful bidder and deposit

After the gavel has fallen, a member of the Auction staff will ask the successful bidder to complete a purchaser's slip giving details such as name, address, solicitor's details and a deposit, normally 10% of the hammer price. This information will be used to prepare the Memorandum of Sale. You will be required to sign the Memorandum of Sale and exchange it for the Vendor's part as soon as it is ready, usually about 15 minutes later.

The Vendor's part of the contract, which will generally be given to you, should be sent to your solicitor immediately as he will need it for the completion formalities. Most Auction Houses will present your cheque for special clearance the next day so you must ensure there are funds there to meet it. Certain Auction Houses will require the deposit to be either cash, bank draft or building society cheque - It is advisable to check before bidding. You will need a separate cheque for the buyer's administration charge and if you are buying more than one lot, you will need a separate deposit cheque for each lot.

Unsold lots

Should the bidding for a lot not reach the reserve price, the property will remain unsold. If you are interested in an unsold lot either at the Auction or after seeing a results sheet, contact the Auction House as soon as possible and you may well be able to negotiate a purchase. If your offer is accepted you will generally be required to sign a Memorandum of Sale at the Auctioneer's office. As with bidding at an Auction, this should only be done when you have completed all your legal enquiries into the property, arranged the finance and any surveys required to your complete satisfaction.

Valuation Report

A valuation report as opposed to a house buyer's report or structural survey is primarily used to advise the person instructing (usually the lender), as to the value of the property. Whilst the report will usually reveal any drastic faults affecting the property's value it should not be taken as a structural survey.

House Buyer's Report

This gives you both a valuation and an assessment of the structural condition of a property. Although not as detailed as a structural survey it should alert you to potential problems as well as actual ones.

Full Structural Survey

A full structural survey is a detailed investigation into the fabric and structure of the property reporting not only on amenities but also on structural defects such as settlement, dampness, general condition and other salient points. The survey is based on information gleaned from readily accessible parts of the property. This will not generally involve moving furniture, lifting floorboards or detailed comment on plumbing or electrics unless specifically requested to do so.

Title

The title to a property is the documentary proof of the vendor's legal interest in the property and of his right to sell that interest.

General Conditions

The General Conditions, as the name implies, are conditions that apply to all the lots offered. A complete copy of these will be found in the catalogue and will form a part of the Memorandum of Sale.

Special Conditions

The Special Conditions are conditions that apply to specific lots and are not always printed in the catalogue. The relevant special conditions will be attached to the Memorandum of Sale. Where the General Conditions and Special Conditions conflict, the Special Conditions will prevail.

Purchasers Slip

This is a document, a copy of which is often found in the catalogue, (not to be confused with the Memorandum of Sale) that the successful bidder is required to complete as soon as the lot is knocked down to him. The purchaser's name, address, together with details of his solicitor, will be required as well as details of the lot being purchased.

Searches

Searches are checks on registers held at Local Authorities for entries affecting the property with regard to planning, highways, public health and other civic matters. In addition, searches are made of the Land Registry to further check that title is still in the name of the Vendor and to check on the extent of any encumbrances.

Memorandum of Sale

The Memorandum of Sale is the contract that is exchanged between the purchaser and the Auction House, acting on the vendor's behalf, for the sale of a particular lot. It is governed by the Standard Conditions of Sale and the 'General' and 'Special' Conditions of Sale together with any amendments which are attached to it. An example of the Memorandum of Sale will be found at the back of most catalogues.

Completion

The completion of the contract is the point at which the purchaser gives to the Vendor the balance of the purchase monies and takes title and possession of the property. Solicitors acting on behalf of purchasers and vendors invariably carry it out.

Do's

- Do inspect each and every property you plan to bid on.
- Do take legal advice.
- Do read the General and Special Conditions of Sale and any notices for bidders handed out in the room.
- Do arrange your finance prior to bidding
- Do get a survey of the property carried out if you have any doubts as to its condition.
- Do get to the auction room in plenty of time.
- Do feel free to make bids on properties prior to auction.
- Do make your bids visible to the Auctioneer.
- Do try and attend an auction prior to bidding at an auction to understand how the system works.

Don'ts

- Don't assume all properties in the catalogue will be offered on the day. Some may be withdrawn or sold prior.
- Don't bid on a property if you are not completely happy with all aspects of the property.
- Don't be afraid to ask the Auctioneer or his staff any questions that you may have surrounding the property.
- Don't be put off with the idea of buying at auction; it is straight forward and the auction staff are there to assist you.
- Don't bid without inspecting the property

Conclusion

It is imperative to have made all your enquiries prior to bidding or signing a Memorandum of Sale and at all times you should have the maximum figure to which you are prepared to go firmly in your mind. If you have any doubt about a property and cannot get the question answered to your satisfaction – do not bid.

Eigroup.co.uk

The Essential Information Group have full information on all property auctions. Whether you are a first time purchaser or a seasoned property professional we can assist you in your dealings in the U.K. property auction market.

Should you require any further information on these services or wish to discuss a trial please do not hesitate to contact our sales team.

01737 226150 or email **sales@eigroup.co.uk**

www.eigroup.co.uk



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