

## **Annual Percentage Rate (APR)**

The total cost of a loan, taking into account interest charges, arrangement fees and other costs, shown as a percentage.

## **Assured Shorthold Tenancy (AST)**

A widely used rental agreement where the tenant is an individual and net rent does not exceed £25,000 a year. It covers a fixed period, so both parties know the date the property will be vacated.

## **Base Rate**

The rate of interest which the Bank of England charges for lending to other banks. These banks then use it as a benchmark for the interest rates they charge when lending money to consumers, often stipulating an interest rate "X% above the base rate".

## **Break Clause**

A clause sometimes agreed between the landlord and tenant to be inserted in a fixed term agreement, typically if the initial fixed term is for a year or more. A break clause will usually allow either landlord or tenant to give written notice after a particular date or period of the tenancy in order to end the tenancy earlier than the original fixed term.

## **Bridging Loan**

A temporary short-term loan enabling someone to purchase a property before selling his or her existing property.

## **Building Inspection/Structural Survey**

A report on the physical condition of a property. The surveyor will look at all accessible parts of the property and give a written report on defects or issues affecting it. See also HomeBuyer Report. Not to be confused with a mortgage valuation (see below).

## **Capital**

Capital, also known as equity, is an asset that is less liquid than cash. It represents the amount of money you have put into a property, investment or deposit.

## **Chain**

A chain is formed when several property sales and purchases are inter-dependent. A chain can be complicated but a good estate agent will be able to help keep it moving.

## **Completion**

The point at which the sale of the property is concluded and the buyer receives the keys.

## **Completion Statement**

A document which your solicitor or conveyancer will provide as a record of all the financial transactions and costs.

## **Conditions of Sale**

The specific items in a sale contract that govern the rights of the buyer and the duties of the seller.

## **Contract**

The legal document detailing the agreement of terms between the seller and buyer. When a sale is agreed, a draft contract is sent to the buyer by the seller's legal representative and at exchange of contracts both parties are bound to a date on which to complete the sale.

## **Contract Race**

Where two or more purchasers are given a draft contract and the first one to exchange contracts buys the property.

## **Conveyancer**

A representative, solicitor or licensed conveyancer, who deals with the legal aspects of buying or selling a property. The buyer and seller will each appoint their own conveyancer.

## **Conveyancing**

The legal process of transferring the ownership of a property.

## **Covenants**

Rules governing the property in its title deeds or lease.

## **Credit References**

References requested for a tenant applying to take up rented accommodation. Many agents and individual landlords use external companies who will contact the applicant's employer, landlord and check the tenant's credit history, providing a report on their financial suitability to rent.

## **Deeds**

The legal documents that prove the ownership of the property.

## **Deposit**

*When buying* - The amount of money paid by the buyer on exchange of contracts, usually 10% of the purchase price.

*When renting* - A monetary sum held by the landlord or agent for security against damage to a property or a breach of the tenancy terms. This is usually the equivalent to five weeks' rent but may vary. If the deposit is for an Assured Shorthold Tenancy (AST), then it must be protected by one of the approved tenancy deposit protection schemes.

## **The Deposit Protection Service (DPS)**

The DPS is a tenancy deposit protection scheme authorised by the Government; it is free to use and open to all landlords and letting agents.

The custodial version of the scheme requires a tenant's deposit to be paid over to the DPS for the duration of the tenancy. This amount is then paid back at the end of the tenancy when an agreement between both parties has been reached, providing the tenant has paid rent and bills, has not damaged the property and met the obligations of their tenancy agreement.

The DPS also offers an insured option whereby the deposit is held by the landlord or the agent and the tenant pays the scheme to insure it.

## Disbursements

The items in addition to legal fees in conveyancing. These may include Stamp Duty Land Tax, Land Registry fees, search fees, mortgage redemption costs and any other expenses. All conveyancers should be able to estimate the likely level of disbursements before the transaction commences.

## Draft contract

The initial version of the contract. This may be amended during the course of the sale but becomes final at the point of exchange of contracts.

## Easement

A right that affects a property – such as the right of neighbours to pass over an access path or the right of the water company to have their pipes and drains running under the property.

## Enquiries

Questions which are raised by the buyer's conveyancer, often about survey, property information forms or following on from the search results.

## EPC

The Energy Performance Certificate (EPC) shows the energy efficiency and carbon emissions of a property and gives an indication of the fuel bills. It is displayed as two graphs – the energy efficiency and environmental impact of the property. Each is graded from A (the best) to G (the worst).

## Equity

Your equity in your property is how much of it you own. It is the difference between the value of your home and the mortgage you still

owe. Negative equity occurs when you owe more to your lender than the sale price of the property.

## Exchange of Contracts

The buyer and seller both sign the contract for sale and at a certain time and date the conveyancers action the exchange. At this point, the sale is binding and no terms may be altered.

## Fixtures and Fittings

*When buying* - Fixtures are items that have become part of a building or land and are therefore included in the sale. Fittings are not attached to the building or land and so are not included in the sale unless otherwise agreed. The seller will complete a fixtures and fittings form that will confirm what is included in the sale, what isn't included, and what is for sale separately.

*When renting* - Items usually provided in a letting that may include curtains, carpets, blinds, light fittings, kitchen units and appliances. In some cases it may also include furniture. It is advisable to check what is provided and not to assume that items will be provided.

## Freehold

The broadest form of property tenure guaranteeing that occupation continues for an indeterminate period of time. This contrasts with leasehold, which is always subject to a specified period of occupation.

## Gas Safety Record

A certificate that states all gas appliances, pipework and flues are safe. It is a legal requirement for all landlords and must be provided every year by a CORGI registered engineer after a safety check.

## **Gazumping**

Where a sale is agreed to a buyer at a certain price and then the seller accepts a higher offer from another buyer. Note that until contracts are exchanged estate agents are bound by law to tell a seller about any offer they receive for a property.

## **Gazundering**

Where a buyer reduces their offer just on the point of exchanging contracts.

## **Ground Rent**

The annual charge levied by the freeholder on the leaseholder of a property.

## **Home Buyer Survey/Report**

A report designed in a standard and easily read format that tells a buyer about the physical condition of a property. Lists defects and grades their seriousness and need for attention. Not as detailed as a structural survey. Not to be confused with a mortgage valuation (see below).

## **Inventory**

A list of the contents of a rental property. The inventory will note the condition of items and will form the basis of a dilapidation report at the end of the tenancy. It often includes photographs of specific items and existing damage/defects.

## **Land Registry**

A government office which is responsible for holding records of land ownership and any charges, including mortgages, against the property.

## **Land Registry Fee**

A fee charged by the Land Registry to record the change of ownership of a property.

## **Lease**

The legal document governing the occupation by the tenant of a premises for a specific length of time. At the end of the period the property reverts to the owner.

## **Lease Extension**

This is obtained once the lease begins to go down in years. The lease extension cost will typically increase the lower the lease gets. The cost will vary dependent on a freeholders demands.

## **Leasehold**

The use and occupation of a property by way of a lease agreement for a certain period of time. A lease is frequently applicable to flats but can also apply to houses. The term of a lease varies but is commonly 99, 125 or 999 years.

## **Listed Building**

Buildings of special architectural or historic interest. A listed building may carry certain obligations and restrictions governing its use, repair, and maintenance, both internally and externally.

## **Local Authority Search**

A buyer's conveyancer makes a formal enquiry to the local authority to find out if there are any matters affecting the property that is being purchased.

## **Maintenance Charge/Service Charge**

Many leasehold properties (especially flats) are subject to such a charge which pays for items such as the insurance and maintenance of the building.

## **Mortgage Valuation**

Very commonly and incorrectly referred to as a “mortgage survey”, the mortgage valuation is carried out by a surveyor acting on behalf of a lender to provide them with a professional report stating the value of the property. The purchaser usually pays the fee for this valuation.

## **Multiple/Joint Agency**

Whereby more than one estate agent is appointed by the seller of a property to market. Multiple/joint agency will usually result in a higher fee to be paid than sole agency.

## **Open House/Block Viewing**

A process, normally managed by an estate agent, where several house hunters are given a time when they can all go and view a property for sale instead of separate, private viewings.

## **Peppercorn Rent**

A very low sum of rent or ground rent. In the past it was, literally, a peppercorn.

## **Preliminary Enquiries**

When a sale is agreed, the buyer’s conveyancer will send the seller’s conveyancer a standard list of questions about the property.

## **The Property Ombudsman**

The Property Ombudsman offers a free and independent service for resolving disputes between sales and letting agents, which are members of The Property Ombudsman, and buyers/sellers of residential property in the UK.

## **Repossession**

If a mortgage is not paid over a period of time, the lender may ultimately take ownership of the property by the process of repossession.

## **Searches**

These are conducted by the purchaser’s conveyancer to check if there is anything that might affect the current or future value of the property. It is compulsory to have a local authority search before exchanging contracts if a mortgage is involved.

## **Share of Freehold**

This is when the freehold of the property is owned by a limited company and the shareholders are the owners of the property, usually the owners of flats within that building.

## **Sole Agent**

Where only one estate or letting agency firm is instructed by a seller or landlord to offer a property for sale or to rent.

## **Sole Selling Rights**

Where an estate agency or person is granted “sole selling rights” by the seller of a property, they will be able to claim an agreed fee regardless of who actually introduces the buyer.

## **Stamp Duty Land Tax (SDLT)**

The tax paid to the government by the purchaser of a property. Rates of SDLT can vary. Changes in December 2014 mean that the tax rates are “banded” progressively in the same way as income tax. Nothing is payable on the first £125,000 of the purchase price. From £125,001 to £250,000 2% is payable and from £250,001 to £925,000 the rate is 5%. £925,001 to £1.5 million is 10% and over £1.5 million it is 12%. An extra 3% is applicable on each banding if you already own another property. First time buyers are exempt from paying stamp duty up to £300,000.

## **Subject to Contract (STC)**

Where contracts are still not exchanged and nothing is yet legally binding on either seller or buyer.

## **Survey**

This is a report prepared by a qualified building surveyor to check the structure for any faults. Home owners can choose from three main types of structural survey, depending on how much information they want.

## **Tenancy Agreement**

The legal agreement governing the occupation of a property by a tenant.

## **Tenure**

The mode of holding ownership of a property: for example, leasehold or freehold.

## **Title Deeds**

Documents detailing and confirming the legal ownership of a property.

## **Transfer Document**

The final legally binding document that transfers the property and all its rights from the seller to the buyer.

## **Under Offer**

A property becomes “under offer” when a seller accepts an offer from a buyer and the legal processes of the transaction begin.

## **Valuation/Market Appraisal**

A term often used by estate agents to cover the process of them giving an opinion of the open market value of a property.