

MARKET INTELLIGENCE

Fed up of selling delays? A new contract may help

Many buyers and sellers know the pain of having a sale fall through. Could a new government initiative be the answer, asks David Byers

If you're selling your home and your buyer suddenly pulls out, it can be a heartbreaking and expensive experience. Some 300,000 property sales fall through each year, according to the Homeowners Alliance, an advice service, costing sellers in England and Wales an average of £2,727 each in legal fees.

What's more, as Brexit approaches, this upset is becoming more common.

Rightmove, a property portal, found that 29 per cent of homes listed as "available" last year were previously listed as "sold subject to contract".

The government believes it has come up with a solution and last week said it was drawing up a legally binding agreement, called a reservation agreement, that it wants to trial this year. The idea is that when an offer is accepted, the buyer and seller sign the document, with the buyer handing over a deposit (£1,000 has been proposed), which cannot be refunded,

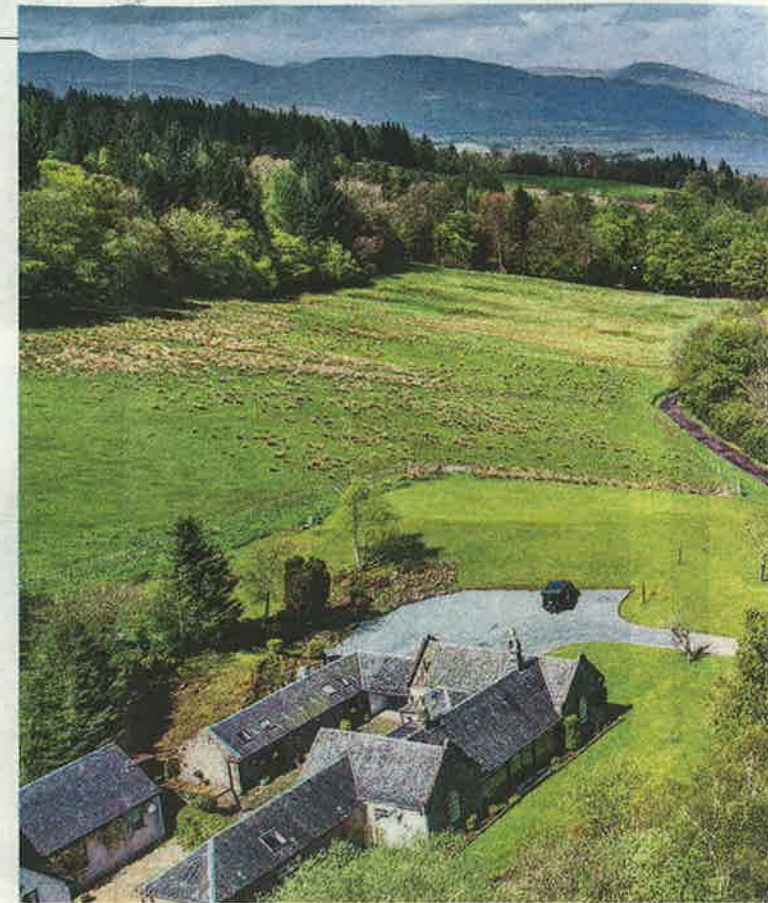
except in extraordinary circumstances. So what does this document hope to achieve? The alliance says it will hopefully reduce the occurrence of gazumping and gazundering, where another buyer puts in a higher offer after one has already been accepted, or a buyer lowers their offer just before exchange of contracts. Introducing similar agreements in Scotland has almost eliminated incomplete property sales. Trevor Abrahamsohn of the Glentree estate agency in northwest London says it will also help to avoid unnecessary legal fees. "It's so important to try to bind both parties morally, if not contractually, before the formal exchange of contracts takes place," he says. However, a similar

system in the US has been abused by buyers who come up with spurious reasons to exit a contract without sacrificing the deposit.

Experts say that any reservation agreement would have to be drawn up carefully to ensure there was little wiggle room, or it could hinder sales. "An

inordinate amount of time could be spent sorting out the terms of the agreement," says Christian Warman, a director at Tedworth Property, an estate agency.

The alliance says that two thirds of sales collapse because of "buyer-related reasons", such as deciding not to pay or a buyer's finances not being in order. However, buying agents disagree. Charlie Ellingworth, the founder of



In Balloch, Loch Lomond, Sheildaig Farm is on the market for offers of more than £695,000. Left: in Weybridge, Surrey, this five-bedroom house is £1.295 million through Knight Frank

Property Vision, says that it is "very rare" for his a client to enters into a transaction with bad intentions and claims the endless bureaucracy of the conveyancing process is what trips up most sales.

Saul Empson, the director at Haringtons, says: "The time it takes to get the legal side resolved is a nonsense."