

Exchange & Completion - Client Guide

The key steps | Risk passes on Exchange | Chains and completion

The point of no return

It's very important to check everything you need to know about the property before you exchange contracts to buy it. You can't change your mind and withdraw from the purchase after the exchange of contracts has taken place. That's why your conveyancer makes 'searches', checks the legal title and asks the seller's certain standard conveyancer's enquiries about the property before exchange of contracts. You should inspect the property carefully and have a professional survey. You must tell us about anything you are concerned about before we proceed to exchange of contracts.



The passing of Risk on exchange of contracts

Unless you are buying a property in the course of construction, the risk of a freehold property being damaged or destroyed generally passes to the buyer on the moment of exchange of contracts, not on completion when the money is paid over. That's why buyers have to have buildings insurance arranged before exchange of contracts, ready to be put in place on the instant of exchange of contracts.

If the property caught fire or was flooded after exchange of contracts the buyer would still be legally obliged to buy the property and pay the full price on the completion date. If the buyer could not do this they would be in breach of contract.



Exchange of Contracts, Deposits and Completion

Exchange of Contracts is the moment when the seller and buyer become irrevocably and legally bound to buy and sell the property in question. In contrast, the estate agent's 'notes of the sale' being agreed have no legal meaning or effect whatsoever, and either party can back out, or change the price, at any time until formal legal exchange of contracts.

It is called 'exchange of contracts' because the buyer and seller each sign an identical copy of the contract, and these copies are then formally 'exchanged' by their conveyancers.

At the point of exchange of contracts, the buyer's conveyancer pays the buyer's deposit of up to 10% of the purchase price to the seller's conveyancers. This is usually paid by bank transfer.

What happens next?

Ideally a week or two has to be allowed between Exchange and Completion to make the many further legal searches, have the transfer and mortgage signed and agree the financial aspects of the transaction.

The Completion Date

This is the date when the rest of the purchase money is paid by the buyer's conveyancer to the seller's conveyancer, and it is the date the beneficial ownership of the property changes. Usually buyers and sellers move on this date.



Simultaneous Exchange of Contracts and Completion

Sometimes buyers and sellers want to Exchange Contracts and Complete the purchase on the same day. Agreeing to do this can be risky for both parties, as all the legal work has to be done in advance of the date provisionally agreed for exchange and completion - and there is no guarantee the transaction will go through until the instant it actually completes.

For example, a seller could decide to increase the price at the very last minute, or a buyer might change their mind and back out at the last minute.

If this happens and the transaction does not go ahead, neither party would have any responsibility to pay the other party's wasted costs, expenses, mortgage application fees, estate agent's fees, legal or search costs.

Last Minute Hitches?

Buyers and sellers have to accept that, if problems arise on the Completion Date, they may have to stay in a hotel and put their furniture into storage until the problems are resolved. Thankfully, this is rare. However, if this happens, there could be compensation claims from sellers whose conveyancers didn't receive the purchase money before the contractual completion time on the Completion Date.

These might include claims for interest, plus any removals costs, hotel expenses or out of pocket expenses (over and above the contract interest rate) that the seller has suffered as a result of the delay. Your conveyancers will not normally be responsible for covering these losses.

What happens on Completion?

Lots of things have to happen in the right order on this day for your completion to take place, particularly if there is a 'chain' of properties involved. Obviously this is the most stressful time for you (and us), but we will keep you informed as the situation develops on the day.

The key steps on the Completion Date include the following -

- You must move out of the property you are selling by the contract time - usually 1pm or 2pm
- We have to receive the purchase money from your buyer's solicitors, and the sellers of your new home must have moved out of their property by the contract time
- We need to receive your mortgage advance from your new lender for the purchase of your new property
- We need to pay off the mortgage on your old property
- You need to check that the seller has moved out of your new property before we send the purchase money to your seller's solicitors.



Usually, each money transfer from one conveyancer (or bank) to another only takes half an hour to an hour to go through. However, the longer the conveyancing chain, the more money transfers will be involved, and therefore the more risk that that a delay will arise.

Sometimes the banks do not transfer the money quickly enough. Unfortunately, should this happen, the banks rarely have any liability to you, or us, for any losses suffered as a result of the delay.

Your conveyancer is not able to pay the purchase money out of their bank account for your purchase before they receive the sale money into their bank account from your sale. They cannot offer any bridging loan facility to you, nor can they guarantee that banks, other conveyancers, or other third parties will transfer money when they should.

Normally all the necessary bank transfers in the chain go through on the Completion Date on time and everyone in the chain moves successfully. On some rare occasions there are delays, and completion of one or more of the transactions may not go ahead on the contractual completion date. Usually any problems are resolved within a few days.

