

Buying your Home

The best way to start on the path to home ownership in Guernsey is to find out how the system works one step at a time and what the likely costs will be.

This is only a short article and should be read as such. A more detailed guide entitled "Buying a Home in Guernsey", published by the Young Business Group, (the YBG guide) is available free from advocates and estate agents.

Step One

The earlier you make contact with your advocate the better. It will not cost you any more. You may even save money, but if you know how the system works you may be spared a degree of stress. At this stage we can give you a copy of the YBG guide.

You may find it convenient to complete the Babbé online Conveyancing Data form so that we have the necessary preliminary information about you. On receipt of that we can send you the YBG guide, if you don't have it already.

Step Two

Visit your bank, mortgage lender or mortgage adviser to find out how much you may be able to borrow in order to buy your home. This may be affected by several factors including your age, current earnings, any other borrowings which you have and whether you have any money of your own to assist in buying.

You will be given advice as to the amount which you may be able to borrow. This can depend upon the type and age of the property. You will also be advised as to any other of the lender's requirements, for example, house insurance, life insurance cover to repay the loan if you (or your partner) die before repayment and a survey of the proposed property. These will both be an additional cost, so you would be wise to allow for all of these. In some cases, the lender will include these expenses as part of the loan.

The lender will require that the loan is secured and the lender's advocates will prepare a bond which will be registered as a charge against your home to prevent you from selling it without repaying the loan. The method of working out the charges for a bond are detailed in the paragraph on Document Duty and advocates' fees.

Step Three

Now that you know how much you may be able to borrow, you can contact estate agents to find out what is available. Remember that when you do find a suitable property, the process may either seem to go too quickly or to be agonisingly slow, so be patient and keep calm.

Step Four

If a suitable dwelling is within your price range, you may want to make an offer to buy it. Remember that you are not legally bound until you have signed a contract, the seller has also signed it and you have paid the deposit. This contract is called Conditions of Sale

As your lender is only likely to have given you an idea of what you may borrow and will require some form of survey of the property, you will probably make your offer subject to receiving a satisfactory survey of the property and subject to confirmation from your lender that it will make the necessary funds available to you. This is quite usual. The estate agent will then produce the Conditions of Sale in a draft form.

Step Five

You must now contact your advocate for advice on the Conditions of Sale and generally about your proposed purchase and for confirmation of the costs which you will have to pay. If you do not take legal advice at this stage, and you pay a 10% deposit to the estate agent, you could lose that deposit if you fail to complete the purchase of the property.

Your advocate will take you through the remainder of the process, from advising you in relation to the wording of the Conditions of Sale, the boundaries relating to the property, rights which any other people may have over your property and any obligations which you may owe to other people in respect of it.

At the same time as this, you must go back to your lender to finalise the loan. You will receive written confirmation if everything is in order by way of a facility letter, which gives details of the loan and repayment and security requirements.

When everything is in order and only on the advice of your advocate, you will be able to sign the Conditions of Sale and to pay the deposit cheque. When both the buyer and the seller have signed the Conditions of Sale and the deposit cheque has been paid a legally binding contract has been made.

If the Conditions of Sale are subject to receipt of a satisfactory survey or subject to finance being available, they will state an Operative Date by which the buyer has to notify the estate agent in writing if the survey is not satisfactory or if finance is not available.

Should this happen, the Conditions of Sale are treated as void and having no further legal effect and the deposit can be returned to the buyer, leaving the buyer free to start again.

If, however, as will usually be the case, there are no problems, you will go on towards completion of the conveyance of your home.

As your advocate prepares the conveyance, you will be given advice as to the best method of ownership of the property and advice as to Wills. Final accounts will be prepared and arrangements must be made to ensure that the necessary funds are paid to your advocate before the completion day of your purchase, so that they can be paid to the seller's advocate on completion.

Step Six

You attend at your advocate's office and are taken to the Royal Court where your advocate takes you and the seller before a Jurat, reads the principal parts of the conveyance and asks both parties whether they consent to sell or to buy as the case may be. The Jurat then signs the conveyance to record the giving of your consent. Once the seller has left, the same process is repeated in respect of the bond.

You are presented with the keys to your home.

Document Duty and Advocates' Fees

The costs involved in buying a property are calculated as a percentage of its purchase price. The total price will usually be divided (if you are not buying a new property) into a price for the realty (i.e. the building) and a price for the personalty (i.e. the contents). Document Duty and advocates' fees are based on the price of the realty alone.

The biggest element is Document Duty which is payable to the States of Guernsey. This is collected by your advocate, who then pays it to the States and is charged as follows:

1. 2% for a property valued up to £150,000
2. 2.5% for a property valued from £150,001 up to £250,000; and
3. 3% for a property valued at £250,001 and above.

Please note that these are not graduated charges, so that if a property is valued at £225,000 for the realty, you would have to pay Document Duty at the rate of 2.5% on that amount and not 2% on the first £150,000 and 2.5% on the remaining £75,000.

The next element is advocates' fees (including the cost of registration of the conveyance). These are calculated on the value of the realty alone at the rate of 0.75% plus £202.50.

So, as an example, your costs on buying a house or flat for £225,000 would work out as follows: Document Duty: £225,000 at 2.5% = £5,625 plus Advocates' Fees: £225,000 at 0.75% = £1,687.50 plus £202.50 = £1890 Total: £5,626 plus £1,890 = £7,516.

If you are borrowing part or all of the purchase price, you will also have to pay for a bond in favour of your lender. The cost of a bond can be calculated as £7 for each £1,000 borrowed plus £147.50 for one borrower and an additional £25.00 for each subsequent borrower. So if you borrow £150,000, the cost for 2 borrowers will be 7 times 150, plus £147.50 for the first borrower plus £25.00 for the second borrower which totals £1,222.50. Document Duty which is paid to the States of Guernsey is included in this amount and is charged at the rate of 0.5%. On a bond of £150,000 of the total charge of £1,222.50 you will be paying £750 Document Duty.

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This paper is intended as a general review and aide memoire. It does not create a retainer or lawyer-client relationship and does not provide comprehensive or specific legal advice concerning the matters contained within it. This paper should not be relied upon as giving or providing advice on any individual case.