

A simple guide to buying at auction



Buying at auction conjures up a vision of frenzied activity, quick-fire action and big potential profits – but only if you know what you’re doing.

In many ways, buying at auction is the perfect scenario. It cuts down a potentially lengthy conveyancing process (especially if you’re involved in a long chain of transactions) and there’s no danger of the purchase collapsing at the eleventh hour. At the fall of the hammer, that property belongs to you.

As exciting as that sounds, it’s not without its pitfalls for the unwary, which is why it pays to do some serious research before venturing down this particular buying route.

If you’re considering buying a property at auction, our guide looks at how you can negotiate the process safely and successfully.

Find a property auction

Look in the regional press and property websites to identify auctioneers, and subscribe to their mailing lists.

You can also contact the relevant auction houses yourself and request their catalogue. Most auction houses hold regular sales and print their brochure some weeks in advance.

We suggest attending an auction yourself so you can see how it works and to become familiar and more relaxed with the process.

Just remember to keep your hands in your pockets!

Arrange your viewings

Once you’ve identified the properties you’re interested in, you can arrange to view them – much like you would when going through the conventional buying process.

Investigate the area properly, speak to local estate agents, visit online property sites to see current asking prices and look at properties which have sold recently for an indication of value.

Seek professional advice

Having made the decision to purchase at auction, it’s important that you seek legal advice before bidding. Your solicitor will review the legal documentation, including searches which will be in the legal pack, for any errors or unusual clauses.

If you’re funding your purchase with a mortgage, your lender will require a valuation to verify its guide price. You must have a written offer of mortgage (and your solicitor the equivalent mortgagee’s instructions before the auction date).

If major renovations are required, we recommend that you commission a full structural survey. This will thoroughly examine the condition of the property and identify any faults that may have a negative impact on its value.

At this stage you can also ask tradesmen to quote for any work likely to be required – this will help you understand the bigger picture in terms of what costs you’re likely to incur if you’re successful in buying that property.

Look at the figures

Taking into account the associated costs of repairs and renovations, purchase fees and stamp duty, set yourself a maximum budget.

Self-control is crucial!

It’s very easy to get carried away in an auction environment so be realistic about what you can afford. If you set a budget, make sure you stick to it.

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Ensure you have the appropriate finances in place

If you're successful at auction, you'll need to provide a 10% deposit by way of a building society cheque or bank draft.

Since you won't know how much that will be in advance of the bidding process, you'll need to ensure that you have the finances in place to pay a deposit that represents up to 10% of the maximum bid you are willing to pay for the property.

Along with the payment, you'll need to produce two forms of identification – one photo ID (driving licence, passport etc.) and one to confirm your present address (a utility bill for example).

Plan ahead if you're using a mortgage to fund your purchase

As indicated above it's wise to arrange a mortgage well in advance so you have the written offer available before buying at auction.

Failure to complete the transaction in the time given – normally 20 working days – may result in you losing your deposit. Even completing a few days late can incur hefty penalties.

Don't lose your head

Buying at auction constitutes a binding commitment and carries the same legal implications as a signed contract.

If you need a better understanding of whether this process is suitable for you, consider sitting in on one prior to getting involved so that you build your confidence.

Remember, bidding at auction isn't for the faint-hearted. Good luck!

Further information

To get in touch with a lawyer specialising in auctions, call us on **0117 325 2929** or visit barcankirby.co.uk.

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