



Ministry of Housing,
Communities &
Local Government

Reservation Agreements

CLC Conference

28 January 2020

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What buyers and sellers want.....

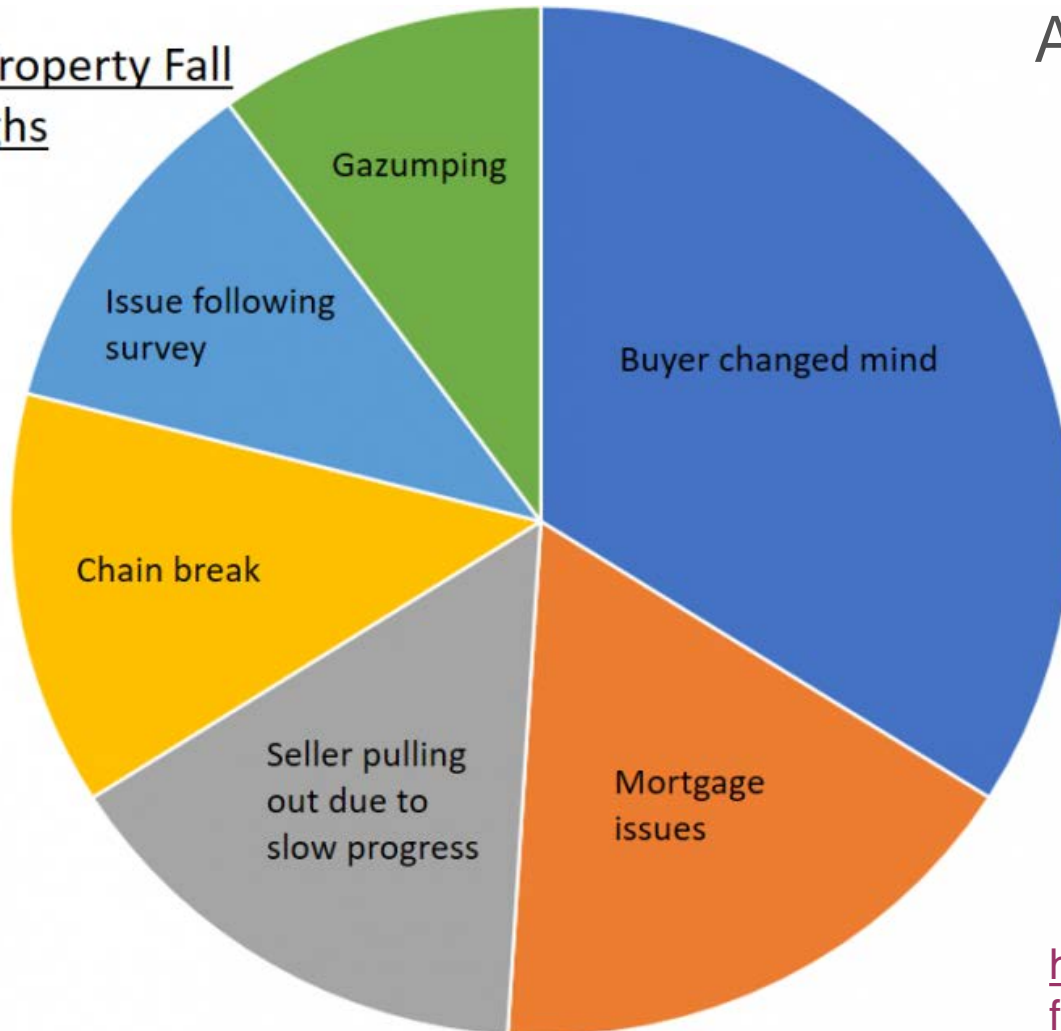


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24% of all housing sales fell through in 2019

2019 Property Fall Throughs



According to figures by Quick Move Now

34% - Buyers changing their mind

18% - Buyers were unable to secure a mortgage after making an offer

15% - Sellers withdrew from the sale due slow progress

13% - Break in the property chain

11% - Issues arising from the property survey

10% - Gazumping

<https://www.todaysconveyancer.co.uk/main-news/2019-property-fall-throughs-quarter-home-sales/>



*I put my bungalow up for sale in August 2018. The week of exchange of contracts my buyer decided to pull out with no explanation. I was at the top of the chain of 4 people they caused great distress too...for varies reasons. **In my case I am now out of pocket by £1,600 and if I do not sell soon will lose the home I was buying.***

I have lost time and the most favourable months to resell. I have since heard from many other people who have been through this same stress.

This should no longer be allowed.

Challenging esp for sellers

I write to represent my constituent with regard to his costly experience of house purchase, when the vendor withdrew the property from the market.

He had already invested in the expense of solicitor's fees as well as survey fees and of course all of this money was lost.

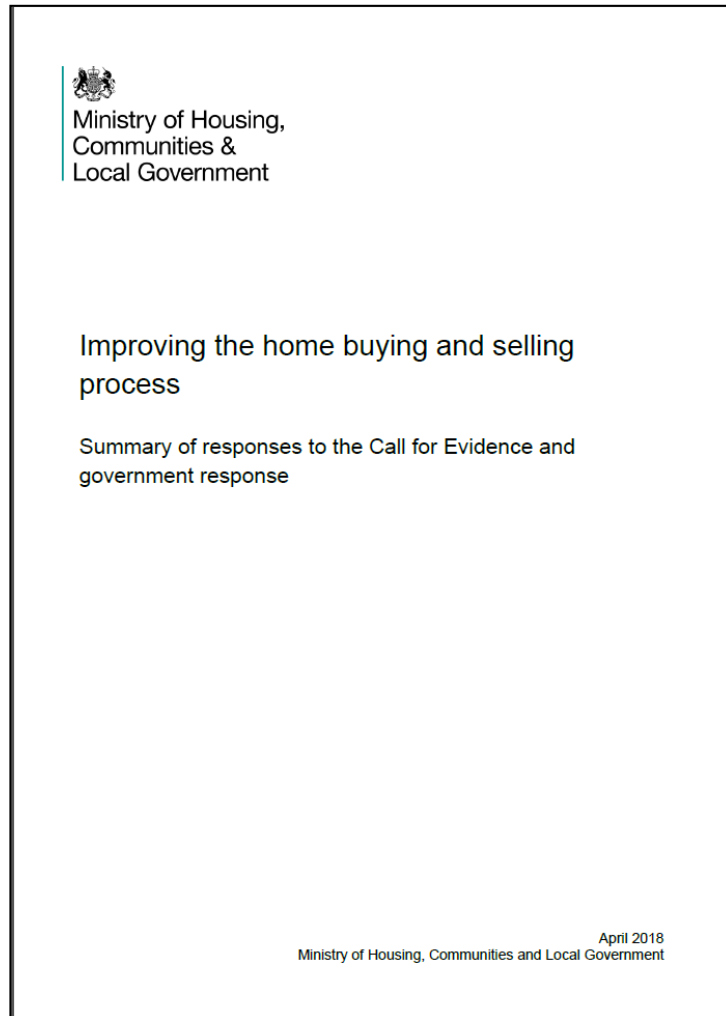
*He feels strongly that **the law should be changed to specify that whichever of the vendor or buyer withdraws from the purchase of a property should be liable for such fees as have been charged on the transaction to that point.***



Tackling uncertainty – BEIS Research

- 33% of buyers concerned that seller would change their mind and 46% of sellers thought buyers would change their mind
- 16% of all buyers concerned about gazumping (incidence only 1%)
- 70% of buyers and 66% of sellers worried that sale would not make it to completion after they had accepted an offer
- 50% of buyers and 70% of sellers would have been prepared to enter into a legal commitment after offer





Response

- 80% of respondents believed a standard reservation agreement would help
- 12% felt government could not or should not increase commitment

Conclusions

- Work with industry to develop a short standardised reservation agreement which can be used in any transaction
- commission some behavioural insight research in order to consider ways to encourage consumers to adopt these agreements
- pilot these agreements with aim of making them a standard part of the process

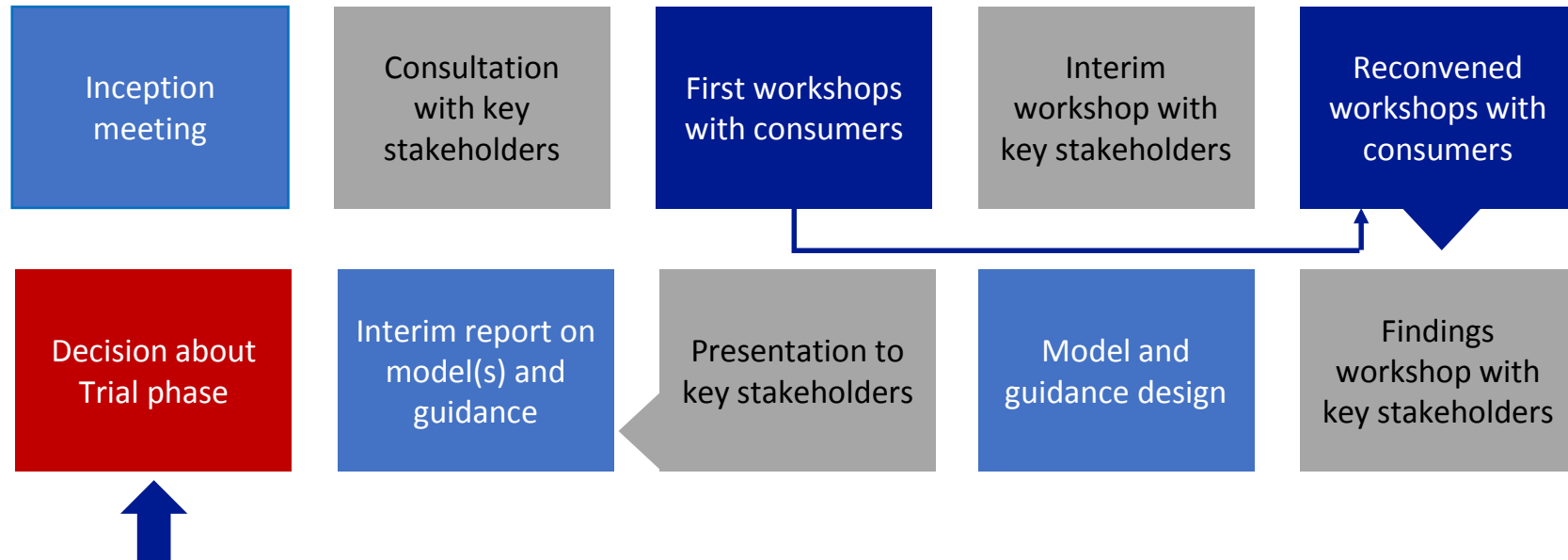


View from end to end

Consumer focused

Key Industry Players

Reservation Agreement Working
Group





“You don't normally hear or see anything from the buyer or seller, you're just talking to the estate agent. Maybe having the agreement would make more of a connection”

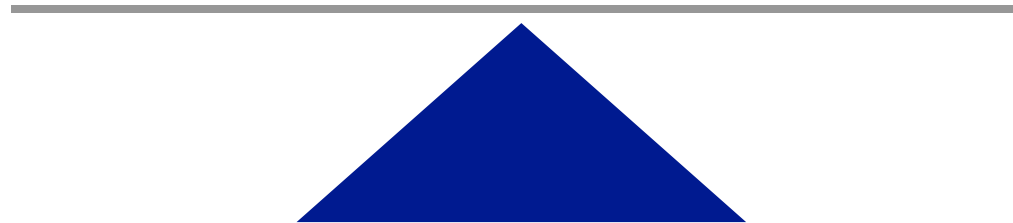
“I think the idea of having an agreement in place between buyer and seller is a good thing but it's pointless until you have the survey, searches and other information sorted”

“Until the deal is done then I'm sorry but I want to be able to change my mind... it's a lot of money on the line and so I need to be sure it's what I want.”



**Needs to happen
early in the process**

**Sufficient upfront information
for parties to feel that they can
commit to a sale**





- Testing on a firmer agreement
- Requires more commitment
- Potential for 'virtue signaling'

RESERVATION DISCLOSURES	
<p>WARNING: EACH PARTY WILL RELY ON THE OTHER PARTY'S DISCLOSURES ON THIS FORM WHEN ENTERING INTO THE RESERVATION AGREEMENT, BUT LIABILITY FOR GIVING INCORRECT INFORMATION IS LIMITED TO THE RESERVATION DEPOSIT.</p>	
SALE PROPERTY ADDRESS:	
POSTCODE:	
SELLER'S DISCLOSURES:	The Seller gives the Buyer the following information for the purpose of entering into a Reservation Agreement:
Readiness to sell	The sale is [chain-free and is not dependent on a purchase] [part of a chain and is dependent on a purchase]. There is nothing [else] preventing the Seller from selling the Property at this time [except [•]].
Completion date	There are no limitations regarding the date when the Seller can complete the sale and give the Buyer vacant possession of the Property [except [•]].
Type of ownership	[The Property is freehold and there is [no [rental/charge] [a [rental/charge] of £[•] per year]] [The Property is leasehold having about [•] years remaining and at a ground rent of [•] per year which [is fixed throughout the term]/rises every [•] years]. [A capital sum is payable to [•] whenever the Property is sold [or let], amounting to [•]]. ¹
Outgoings	Apart from council tax and usual utility charges, [there are no specific outgoing payments payable for the Property] [service charges or maintenance contributions are payable which are currently about £[•] per year. There are [no] anticipated major works required that may increase that sum significantly.]
Utilities	The Property has electricity, telephone, broadband, gas, mains water and mains drainage services [except [•]].
Rights	There are no areas or amenities that are shared with neighbours [except for the common parts of the block or estate] [except for [•]]. No neighbour has the right to enter the Property [except [•]].
Restrictions	Apart from under local authority planning and building controls, alterations to the Property or its use [do not need the consent of any other person] [may require the consent of a neighbour, landlord, estate company or management company who [must][need not] act reasonably and may charge a fee]. The Property [is] [is not] a listed building and [is] [is not] in a conservation
<p>¹ DRAFTING NOTE: The industry calls these Event Fees but this is not in common usage so that phrase has not been used here.</p>	
55716132.2	

	area. No tree on the Property is subject to a tree preservation order [except [•]].
Building works	All planning permissions, building regulation approvals and other consents that may have been required for any building works on the Property were obtained and no breaches of them are known [except [•]].
Adverse matters	The Property is not known to have been affected by flooding, radon gas, mining or fracking, Japanese Knotweed or hidden structural problems [except [•]]. ²
Other matters	The Seller is not aware of anything else likely to affect a typical buyer's willingness to buy the Property or the amount of his offer [except [•]].
BUYER'S DISCLOSURES:	The Buyer gives the Seller the following information for the purpose of entering into a Reservation Agreement:
Readiness to sell	The purchase is [chain-free and is not dependent on a sale] [part of a chain and is dependent on a sale]. The Buyer is funding the purchase [wholly in cash] [with a mortgage]. [The Buyer [has] [does not have] a mortgage loan approved in principle]. There is nothing [else] preventing the Buyer from buying the Property at this time [except [•]].
Completion date	There are no limitations regarding the date when the Buyer can complete the purchase and take possession of the Property from the Seller [except [•]].
<p>WARNING: Each party may rely on the information given above ONLY for the purpose of entering into a Reservation Agreement and NOT for the purpose of entering into a sale and purchase contract. A party giving incorrect information on this form is not liable to compensate the other party beyond the amount of the Deposit he pays under the Reservation Agreement.</p>	
<p>² DRAFTING NOTE: The list of Adverse Matters may need further consideration.</p>	
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More experienced buyers and sellers were most positive about the revised offer and had a greater appetite for information



- Preferred to **maximise options** / not be tied in
- Concerned about **adding complexity** to process
- Tended to favour an **optional scheme**

“It seems like on the surface just another thing to pay for and go through but if it works and makes things go quicker then it would be worth it.”

- **More willing to make commitment** / be tied in
- Transparency re: information **seen to reduce complexity**
- Tended to favour a **mandatory scheme**

“I'd rather do this than take the risk, even if it would end up being a little bit longer it wouldn't bother me... and actually I think making things more transparent could speed things up.”



Next steps



- Kantar report on first phase to Government
- Decision about whether to proceed to next phase
- Potential Field Trial

