



Top FAQs for Purchase

1. Do I need to worry about a gift to buy my property?

Unfortunately the answer is yes, you do need to worry.

What appears simple, generous gift can cause real complications unless they are dealt with correctly. This is especially the case where you are buying with the assistance of a mortgage loan.

Mortgage lenders are potentially at threat of the risk of the person making the gift (Donor) obtaining a personal interest in the property (even if that was not their intention when they made the gift).

The major risk of this is where for example the Donor goes bankrupt within 5 years of making the gift. At that point, the administrator looking after the bankrupt's liabilities can try to trace back (i.e. collect the gift back) from you and against your property with which you used their gift to purchase.

So your lender will refuse to loan you the mortgage unless they are fully protected by you.

You will need to ask your solicitor to carry out the extra steps to ensure your lender is happy with the gift you are receiving. This includes you taking out bankruptcy indemnity insurance for your lender. The cost of this will depend on the gift.

2. Building insurance when buying a property.

When to take out building insurance?

Simultaneously with exchange of contracts, as you take the risk from them as does your lender.

This normally means you show your building insurance policy and schedule to your solicitor prior to they exchanging contracts and proof to them that it meets your lender's strict conditions on insurance.

So in summary: Don't forget, your lender needs to feel they are protected if the property is damaged, flooded, fire etc. and countless other risks. That means from exchange of contracts (and to allow you to exchange) the lender will need you to take out building insurance on the property.

Why should I insure with my lender?

If you are buying with the aid of mortgage then your mortgage company obliges you to take out building insurance which complies with their strict mortgage loan conditions. If you purchase the wrong policy you risk not meeting your lender requirements and mortgage funds not being released in time for your purchase completion date. In turn this could lead to late completion and penalties even the ultimate risk of losing all or part of your deposit.

Avoid risks or you face losing out:

To avoid this risk we always recommend from that you purchase your building insurance from your lender as then they will take the risk of them providing you with the wrong policy. If you purchase a cheaper insurance which does not cover all of your mortgage offer conditions and those of Council of Mortgage Lenders rules which your mortgage lender is contracted too then you do run the risk of not completion and being sued.

