



Guide to Exchange & Completion

Exchange of Contracts

Exchange of Contracts is the moment when the Seller and Buyer become bound to buy and sell the property in question on a mutually convenient date agreed between the parties (“completion”). Either party can withdraw, or ask to change the price, at any time until 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. You do not need to be present at this time.

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.

The point of no return

It is 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 we complete searches, check the legal title and ask the seller’s certain enquiries about the property before exchange takes place. You should inspect the property carefully and have a professional survey. You must tell us 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 should have buildings insurance arranged before exchange of contracts, ready to be put in place on the instant of exchange of contracts. Leasehold flats are normally insured by the freeholder of the building under one policy.

What happens after exchange?

Ideally two weeks should be allowed between Exchange and Completion to make the necessary further legal searches, arrange for the transfer and any mortgage to be signed and finalise the financial aspects of the transaction. The parties may need to book removal vans and time off work.

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 legal ownership of the property changes. Usually buyers and sellers move on this date.

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 a stressful time for you but we will keep you informed as the situation develops on the day. We will let you know if there is a problem.

The key steps on the Completion Date include the following:-

- You must move out of the property you are selling by the contract time and usually between 1-2pm
- We have to receive the purchase money from the 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 should 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 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.

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 put both parties at risk of wasted time and costs because 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 parties wasted costs, expenses, mortgage application fees, survey fee, legal fees 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 removal 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 and your seller would be obliged to keep their losses to a minimum.

Talk to us!

Please ask us to explain anything in this guide or discuss any unusual circumstances. We can then advise on what is best for you.

This is a general guide only, and each situation may be different and may need specific advice.

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