

The Exchange And Completion Guide

“Exchange” and “completion” are terms that you will hear referred to throughout your sale and/or purchase transaction and are arguably the most exciting and important parts of it, but what do they mean and what are the differences?

Exchange

“Exchange” is simply an abbreviation of the “exchange of contracts” between the respective parties’ conveyancers. At this point the transaction becomes legally binding.

Completion

Completion is “moving day” and the day that the purchase monies are transferred from the buyer’s conveyancer to the seller’s conveyancer; the legal title is transferred.

How does your conveyancer prepare for the exchange?

From the outset your conveyancer will be working towards this point and will only commit you to an exchange of contracts once they are entirely satisfied everything is in order, and you are happy to proceed.

When acting on a purchase your conveyancer will investigate the legal title to the property, raise any specific points of enquiry with the seller’s solicitors and report to you. The results of any searches will have been received and checked and you and your conveyancer will be satisfied with the contents.

All compliance matters will need to have been satisfied, for example verifying identification and evidence of the source of funds checked. Financial arrangements for the purchase will also need to be in place.

Once your conveyancer is satisfied all is in order, they will ensure that they hold a contract signed by you. There may also be other documents you will need to sign prior to exchange.

If acting on a sale your conveyancer will be taking similar steps but of course slightly in reverse. Briefly, this involves collating evidence of title to your property in order that a draft contract can be prepared and sent to the buyer’s conveyancer. They will also undertake an investigation of title of their own to some degree to ensure that any obligations of you as the seller can be discharged on completion, for example outstanding mortgages.

They will also of course be dealing with any enquiries raised by the buyer’s conveyancer.

How should you prepare for exchange?

You should ensure that any proposed moving dates are acceptable to you and fit around your personal and professional commitments.

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f required, make sure arrangements have been made with removers, although it is important not to commit financially to such arrangements until exchange of contracts has taken place, as prior to this dates can and frequently do change.

You should ensure that you have obtained satisfactory quotes for buildings insurance and this is ready to be put in place on exchange of contracts. You should also ensure that your finances are in place and are easily accessible for exchange/completion.

What happens during the exchange?

Once a moving date is agreed between all parties, your conveyancer will take your verbal authority to proceed to exchange contracts; this is usually over the phone. Don't be surprised if this happens several times if the attempt to exchange takes several days, all parties in the chain are not always ready immediately. Given the fact that exchange of contracts makes the transaction legally binding, your conveyancer will want to ensure that your circumstances have not changed or simply that you have not changed your mind before they proceed.

Once you have provided your authority to proceed, your conveyancer will get in touch with the buyer's/seller's conveyancer to affect the exchange.

If there is a long chain this can take some time as the transactions need to be exchanged one by one until the end of the chain is reached. Your conveyancer will follow specific procedures and formulas to ensure that where you are buying and selling at the same time, the transactions will be tied in with each other.

Generally speaking, each party's conveyancer will hold their client's signed part of the Contract. During the exchange, the conveyancers will run through the terms of the contract with each other, confirming the property address, price paid, agreed completion date, deposit paid etc together with any other specific conditions. Once both parties are satisfied the contracts are identical, the formal exchange can then take place and the contract will be dated.

Whilst the contract will become legally binding during the telephone call, the physical contracts will be swapped in the post following the telephone exchange of contracts.

On exchange of contracts it will be necessary for the buyer's conveyancer to send to the seller's conveyancer a deposit, usually 10% of the purchase price. This will have been collected from you previously. Where you are selling and buying it is likely the deposit paid by your buyer on your sale can be utilised as the deposit on your purchase so there should be no need for you to find the 10% separately.

After exchange

There is usually a short period of time between exchange of contracts and completion. This is generally preferred in order for the practical arrangements to be made to facilitate your move, if applicable, most mortgage lenders will require a minimum of 5 working days notice to release funds, some may require more. That said this does not have to be the case. Exchange and completion may happen a year apart or can happen on the same day. It just depends upon the specific circumstances of the transaction.

How your conveyancer prepares for completion?

Various steps need to be taken by your conveyancer, for example on a purchase formally requesting the mortgage advance (where applicable), obtaining the balance completion monies from the buyer, ensuring all signed documents are held. On a sale the conveyancer will ensure that up to date settlement figures are obtained for any outstanding mortgages and that all signed documents are held.

The physical payments also need to be set up in readiness for completion.

How completion happens

The buyer's conveyancer will send the balance completion monies to the seller's conveyancer by telegraphic transfer. Once this is received the keys to the property can formally be released. Again where there is a chain of transactions, it may take some time for the monies to pass through the banking system.

How should you prepare for completion?

Obviously there will be a lot to do for both parties! All the practical arrangements for moving such as packing, arranging and booking removals, meter readings, notification of your up and coming change of address etc need to be made. It is vital that you ensure your finances are in order so that your conveyancer is in cleared funds on the day of completion to enable them to complete your purchase promptly.

When you are selling a property, it is imperative that the property is left in a clean and tidy condition, is empty of all furniture (unless agreed otherwise with the buyer) and rubbish. All keys for the property should be handed over to the estate agent as early as possible in order that these can be released once legal completion has taken place.

The Contract will contain a date (the completion date) and a time for completion. Financial penalties will be incurred if completion is delayed by either party.

What does your conveyancer do after completion?

The conveyancer acting for the seller will ensure all outstanding mortgages are redeemed from the sale proceeds and account to the seller for the balance sale proceeds. The documentation will be dated and sent to the buyer's conveyancer. They will also deal with any other outstanding matters, for example outstanding payments to landlord's or management companies, if applicable, and pay the estate agent's fees again if relevant.

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The purchaser's conveyancer will deal with the payment of stamp duty and upon receipt of documentation from the seller's solicitors arrange to register the buyer's ownership of the property at the Land Registry. Again there may also be some additional steps to be taken depending on the circumstances, for example if the property is leasehold notification of the change of ownership will usually need to be sent to the landlord.

The registration process can take some time so don't be alarmed if some time passes before your conveyancer accounts to you with evidence of your title.

If you require any further help or assistance please contact our Specialist Conveyancing Team on 0800 088 6004.

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