

How much will it cost us to buy our first home?



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As a first time home buyer, you need to think about what will be the actual costs of buying your new home and whether you can get any help with the costs.

In fact, the States do operate a first time buyer's grant scheme but it hasn't kept up with the continuing rise in house prices. The scheme only applies to house purchases where the purchase price is less than £150,000 so, unfortunately, very few buyers are now able to benefit from it.

Once you have seen the house of your dreams, you need to make an offer - normally through the vendor's estate agents. Once the offer has been accepted by the vendor, the estate agent or the advocate acting for the vendor will prepare conditions of sale. The conditions of sale will, in most cases, divide the purchase price into two parts, namely (i) the price for the realty, which is the amount payable in respect of the land, the buildings and certain fixtures and (ii) the price for the contents (or personalty) - for items such as carpets, curtains and light fittings. The amount payable in respect of the contents is usually between 5% and 7% of the total purchase price. At the time of signing conditions of sale (this is the contract to buy the house), you will be required to pay a deposit to guarantee (in so far as that is possible) that the vendor will sell to you. It is normally 10% of the total purchase price (although it may be possible to agree a 5% deposit or, very occasionally, no deposit at all). The "guarantee" works like this: if you default (i.e. you don't go ahead with the conveyance) without just cause you forfeit the deposit: if the vendor doesn't go ahead with the conveyance without just cause, the deposit is returned to you, with accrued interest, and a further amount - equal to the (10%) deposit - is paid to you as liquidated damages. The fees that you pay when you buy a house will be based only on the realty figure - i.e. on about 95% of the total price. The fees can be broken down into three separate amounts:

1. Document Duty - a tax payable to the States of Guernsey. In the majority of cases the tax is payable at the rate of 3% of the purchase price of the realty;

2. Court and Registration - fees payable to the States of Guernsey, usually around £92.50; and
3. Advocates' fees - which are payable at the rate of 0.75% of the purchase price of the realty, plus £110.00.

Most people need a bank loan to purchase a house, against which the loan is secured, by way of what is called a bond.

If you need to take out a bond to buy your house, you will also have to pay bond fees. The bond fees (not including any arrangement fee with the bank or loan company) are based on the amount which you borrow. As a rough guide, a bond for £200,000 will cost £1,547.50, for £300,000 it will be £2,247.50 and for £400,000 it will be £2,947.50. These amounts include Document Duty payable to the States of Guernsey, which is charged at the rate of 0.5% of the amount secured (this is in addition to the Document Duty which you will pay in respect of the conveyance of the house).

Occasionally, it may be possible to make savings. For example, if you purchase a house where the realty value element is £250,000 or less, you will be subject to a lower rate of Document Duty than the more usual rate of 3%. If you buy a partly-constructed dwelling, the Document Duty will be payable only on the value of the property at the time of purchase, rather than on the price of the completed home. If you are buying a new property, you may be able to benefit from incentives made by developers, such as cash-back payments, or from an offer by the developer to pay your legal fees.

Finally, you need to be aware of other costs, which house buyers frequently incur, such as the charge made by your mortgage broker for providing you with mortgage advice, arrangement fees charged by your bank for the setting up of a new mortgage, surveyors' fees and the insurance premiums to protect your new home.

Buying your first house is very exciting, but you need to be sure that you don't have any expensive surprises: you just need good advice and a good calculator that can work out that final price before you commit to buying.