



LAWPACK

THE COMPLETE GUIDE TO BUYING

# Repossessed Property Bargains

All you need to know about buying a repossession

Catherine Dawson

This is an excerpt from Lawpack's book *How to Buy a Repossessed Property Bargain*.

To find out more about saving £££s off a repossessed property, [click here](#).

The Complete Guide to Buying Repossessed Property Bargains  
by Catherine Dawson

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For convenience (and for no other reason) 'him', 'he' and 'his' have been used throughout and should be read to include 'her', 'she' and 'her'.

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# Introduction



*‘My partner and I really wanted to find out about repossessed properties, but we just didn’t know where to start, and our local estate agent was no help at all. He said that there was nothing available, took our names and addresses and we never heard from him again. Where do you go for the information? We’re sure that there must be bargains about but we just don’t know how you find out about them.’*

**Kath and Steve, Bristol.**

Many house-hunters, like Kath and Steve, believe there are repossessed properties on the market that provide a bargain, especially for people who may be struggling to step onto the property ladder or who are finding it difficult to keep up with property price rises in their area. But many point out that it is almost impossible to find out what is available, on both a national and local level. There is no central database of repossessed properties for sale in the UK and estate agents and lenders seem reluctant or unwilling to advertise property as ‘repossessed’.

Kath and Steve are right in believing that there are repossessed bargains available. In some cases it is possible to buy a property at ten to 15 per cent below market value. This is because the lender that has repossessed the property needs to make a quick sale to recover the money it has loaned, and it may be willing to accept a lower offer on the property. Also, some properties that have been repossessed are in a poor state of repair and are, therefore, offered more cheaply than other homes of similar type that are presented in a better condition. But, to obtain such a bargain, you may face stiff competition from property developers and investors, who may adopt rather questionable practices when obtaining bargain properties, such as paying finder’s fees to estate agents. So you need to know where to look for properties and understand the best ways to achieve success when you find a property you like.

This book will help you to do this by providing a practical, user-friendly guide to buying a repossessed property for residential use. It covers everything you need to know about buying a property, from knowing where to look, to understanding how to negotiate with estate agents and lenders, or buying a property at auction. It explains the repossession process so that you can understand how to make a bid for a property and the process through which a property could be advertised, once you have made a bid. It also discusses the problems you may face if you choose to buy a repossessed property and the action you can take to reduce or avoid these problems.

Once you have read this book you will be able to:

- know how to find out about repossessed properties;
- understand the bidding procedure;
- choose the right property and avoid properties with too many problems;
- know how much a property is worth and how to make an appropriate offer;
- know how to beat the competition;
- overcome or avoid problems associated with moving into and living in a repossessed property.

Some housing experts fear that the number of repossessions in the UK will increase considerably as the 'credit crunch' begins to bite. While this is extremely unfortunate for people who have to move out of their homes, it does provide an opportunity for others to obtain a property at below market value, when they may be unable to do so otherwise. There are bargains available and, with increased knowledge and understanding, you will be able to find out about these bargains and obtain a property suitable for you and your family.

I am a shareholder in a family-run property business, for which I conduct all the research and development. Our business is always on the lookout for bargain properties, which includes those that have been repossessed. Over the years we have increased our understanding about the possession procedure and have developed successful strategies that help us to obtain

properties at a bargain price. In this book I hope to pass this information on to you. I hope you enjoy reading this book and find it useful and interesting. Good luck with your property hunting.

**Catherine Dawson**

September 2008

## CHAPTER 5:

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# WHERE DO YOU FIND REPOSSESSED PROPERTY?



*‘When people first come into the office asking for property details we won’t tell them that a property has been repossessed. Usually this is because we’re asked not to by the lender. However, we will advertise the fact that an offer has been made on a property and we will ask for further bids. We put this advert in the local newspaper, but, even then, we won’t specifically mention that the property is a repossession because the lender still asks us not to, although buyers could make an educated guess that this is the case. It’s only when someone makes an offer or seems very keen that we will tell them more about the history of the property.’*

**Estate agent, Weymouth.**

The quotation above illustrates that many estate agents are reluctant to advertise that a property has been repossessed. As we have seen previously, this tends to be because estate agents believe that potential buyers will make a lower offer if they know that the property is a repossession, and that others are unwilling to buy a property that has been repossessed because they believe it will be left in a poor state of repair.

However, as the quotation hints at, it is possible to find out about properties that have been repossessed, even if estate agents are unwilling to pass on this information. This involves gaining an understanding of the

marketing and advertising procedures that can be adopted by estate agents and auctioneers, finding out how to register an interest, understanding how to gain a competitive edge and knowing how to spot property that has been repossessed. These issues are discussed in this chapter.



*‘There may be a view that knowing it is a repossessed property will deflate the price. Lenders do not have to advertise that a property has been repossessed. If it is not evident on viewing the property, then it will become evident through the legal process.’*

The Council of Mortgage Lenders (CML).

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## INFORMATION FROM ESTATE AGENTS

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In general, it tends to be the larger estate agents or those that are connected to a bank, building society or mortgage company that are asked to dispose of repossessions. Independent or small estate agents are less likely to sell this type of property, although you should approach all estate agents in the area as there are exceptions to this rule.

Estate agents prefer not to use the term ‘repossessed’ when they advertise property, but if they are pushed about the history of a property, some may talk about ‘properties in distress’ or ‘distress sales’. These euphemisms include properties that have been repossessed and, for example, properties that are being sold when a person has died – both of which have the potential to be offered at a rate below the usual market price or at a price upon which you can negotiate.



This is a block of flats located on the south coast of England. The block was completed in 2004, with several of the flats being sold to people hoping to let them to holidaymakers on weekly or fortnightly lets. But a local estate agent believes that ‘at least two’ of the flats have

been repossessed, although he was unwilling to be more specific about the details. When he was pushed for more information, he said that one

flat had been sold recently (June 2008) for £8,200 less than the price of an identical flat sold a month earlier. Although he wouldn't specifically say that this was the case, I took this to mean that a repossessed flat had sold much more cheaply than one that had not been repossessed, thus representing a considerable bargain for the lucky buyer.

When you are using estate agents check to see whether they are a member of the National Association of Estate Agents (NAEA) or the Ombudsman for Estate Agents (OEA), as both organisations have strict codes of professional conduct and they will help you to sort out any problems or complaints that you may encounter (their contact details are provided in Appendix 2: Useful Organisations). More information about buying repossessed property through estate agents and the selling procedures that they adopt is provided in Chapter 8.

## Commercially sensitive information

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During the research for this book I sent an email to 200 estate agents throughout the UK to find out how many repossessions they deal with in their offices and the procedures that they adopt when they dispose of this type of property. I received the grand total of eight replies. Seven told me that they do not deal with repossessions and another gave the following reply:

*Dr. Dawson*

*Your email has been passed to me in light of the questions you have raised.*

*Unfortunately, we are unable to answer any of your questions as they pertain to what would be deemed 'commercially sensitive' material. As a company listed on the London Stock Exchange (LSE), we are bound by its regulations with regard to what business information we make public and how.*

*On an industry-wide basis, you may find that what you need is available from the Council of Mortgage Lenders (CML). It collates information supplied by all mortgage providers in the UK and it speaks on behalf of the industry. It will also be able to*

*advise you on industry best practice on repossession cases. I attach its details below.*

*I am sorry that we cannot be of any further help, but we trust that the CML will be of assistance in your enquiries.'*

Obviously, some people may not respond to emails of this nature and some email addresses may have been inactive. People can choose not to answer questions for a number of reasons, but I have been a researcher for over 20 years and have never received such a low response rate. To me, this illustrates that the topic of repossessions is an incredibly sensitive issue for estate agents and lenders.

## Local estate agents

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As the email approach was so unsuccessful, I decided to visit seven local estate agents, posing as a buyer interested in repossessions. Three of them said that they do not, or 'very rarely', deal with repossessions and instead directed me to the larger estate agents in the area. Two said that they sometimes dealt with repossessions, but that they were not able to tell me when this was the case, nor would they advertise the fact that a property has been repossessed. One estate agent said that he was not able to tell me, but he then showed me details of two properties on which the seller was willing to 'negotiate'. I took these to be distress sales on which the seller, whether an individual or a lender, wanted to make a quick sale. The final estate agent said that he did deal with repossessions and showed me details of the only repossessed property that he had on the books at that time, illustrating that some estate agents will provide this information, when asked. This property was 'in need of modernisation' – it did not have a kitchen and it would need a new back door.



### AUTHOR'S NOTE

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*It may sound obvious, but I found that a direct question such as 'Do you sell properties that have been repossessed?' saves a lot of time and effort. There are many estate agents that do not deal with this type of property, so once you know this, you can concentrate instead on those that do sell repossessions. Some will say 'We do, but I cannot tell you*

*about them'. If this is the case, at least you know to persevere with that agent, perhaps trying a different member of staff on a different day.*

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## **INFORMATION FROM AUCTIONEERS**

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Many repossessed properties are sold at auction. As we have seen previously, this can be because the properties have been left in a poor state of repair and would appeal more to property developers or investors, or because a local auctioneer specialises in selling that type of property. In other cases, properties are sold at auction because a lender has been unable to dispose of it through its preferred channel.

Some of the larger estate agents work closely with auctioneers and will provide information about contacting local auctioneers and/or put you on their mailing list. Some may also provide a booklet and DVD that explains the process of buying property at auction.

If you are interested in buying a repossession at auction, the buying and selling process is quite different, as you have to make sure that you have the cash available upfront and all surveys and checks must be carried out before the auction takes place (see Chapter 9). But if you are willing to buy at auction, there is the potential to obtain a greater bargain than you may do otherwise. The reason for this is that once you have made your bid and it has been accepted, no one else can make a higher bid because you have effectively exchanged contracts on the property. If you choose this option, you have to make sure that you do not get carried away with your bidding and you hope that a bidding war does not occur on the property in which you are interested. If this occurs, you may not be successful in obtaining the bargain you desire.

### **Finding out about auctions**

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To find out about local auctions, visit your local estate agents and ask them whether they know of any local auctions in the area. Some will provide you with details of auction houses and you should contact them direct to include your name on their mailing list. They will then send you their

catalogues for auctions that are to take place in your area. It is possible to find out about auctions in your area from the internet, but most sites will require you to register and pay a fee, whereas information from estate agents is free for potential purchasers. Contact details of all the principal property auctioneers in the UK are provided in Howard R Gooddie's book 'Buying Bargains at Property Auctions' (which is available from [www.lawpack.co.uk](http://www.lawpack.co.uk)).

## **Finding out whether a property is a repossession**

In most cases, the term 'by order of mortgagee' is used to describe the sale of a repossessed property at auction, and this term may be used in the auction catalogue and when the property is described during the auction before bidding commences. Other terms that may be used are described in the quotation below. But some auction houses may not advertise a property in their catalogue as repossessed, on instruction of the lender, although they may have advertised the property in the local press and stated that it will be up for auction on a specific date, which can provide a clue that it is a repossession. Also, you will be able to find out more about the property and ask detailed questions during the viewing and, if you take notice of the tips offered below, you will find it easier to spot repossessions that are to be auctioned.



*'Some banks and building societies are very coy about the public knowing that they have repossessed properties and take considerable steps to avoid it being known that properties included in auctions are the result of repossessions. Other societies and banks are quite open. You can look for the clues.*

*In the initial advertisements, the auctioneers may disclose that certain properties are being sold as a result of repossession. The advert may contain a general list of the clients for whom they are selling, which will then include the names of the societies and the banks. This information may be repeated in the auction catalogue itself, either in a general statement or on the relevant lots. The catalogue may give less specific references with phrases such as 'On behalf of mortgagees in possession', 'By order of...Building Society', 'On the instruction of an LPA Receiver' or 'On the instructions of a liquidator' or similar.*

*Without these clues, there can be more subtle indications. The solicitor acting may have as his address the head office of a building society or bank. Even without that direct indication, it is possible that the name of the building from which the solicitor operates is an indication of the society for which he works. It may even be possible to link up the solicitor's telephone number quoted or the one quoted for access to the property.*

*If all else fails, an outright enquiry at the auctioneer's office or at the co-agents' office may tell you if the lot you are considering is as a result of a repossession.'*

'Buying Bargains at Property Auctions', Howard R Gooddie. (This book is available from [www.lawpack.co.uk](http://www.lawpack.co.uk).)

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## **INFORMATION IN LOCAL NEWSPAPERS**

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As we have seen previously, lenders are under a duty to make sure that they receive the best possible price for a repossessed property. Therefore, if a selling agent has received an offer on a property, he will advertise it for a period of seven days (or more if there is a lot of interest in the property). This procedure is called the 'notice of offer'. Selling agents use the local press to do this and adverts will appear in the housing or small advertisement section of the newspaper. An example of this type of advert is provided in Chapter 8, and examples of the online version of this 'notice of offer' are provided below.

The advert will provide details of the property and information about the offer that has been made. Further offers are invited, using a 'sealed bid' approach, or asked for in writing. Many of these adverts ask that higher bids are made 'before exchange of contracts', which means that, as a potential purchaser, there is the possibility that someone could offer a higher bid than yours and you could lose the property at any time before you exchange contracts. Also, you should note that my research has uncovered a number of questionable practices with this type of advertising and bidding process, and it is important that you brace yourself for possible disappointment. These questionable practices are described in detail in Chapter 8.

You can increase your chances of finding out about repossessed property by finding out when local newspapers provide information about houses for sale and by reading all of the small advertisements carefully. Often, this can be the first time that you may get an indication that a property has been repossessed; even if the advert does not mention that this is the case.



*'I saw a tiny, weeny advert in our evening paper. That's how I found out about it. I needed my glasses though. It said that we could make a higher offer if we wanted. I offered more and, to cut a long story short, I got the place.*

*'We paid £279,999 in 2007. Unfortunately, I think prices have fallen a bit now, but, at the time, we thought we had done really well. Well, I still think we've done very well. My husband thinks that it was about £5,000 cheaper than it should have been.'*

Mrs Adams, Gloucestershire.

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## USING ONLINE SOURCES

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It is possible to find out about repossessed properties online, but be wary of some of the websites that offer to find repossessed property for you as they will charge a fee or commission, which can be quite hefty. If you do decide to use online sources, always check the 'about us' section to find out more about the organisation. Find out what fee is payable and ask whether your registration details are passed on to other companies. Never pay money or pass your bank details to organisations that you do not know enough about or trust completely.

### Registering your details online

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You can register your details with legitimate estate agents (i.e. members of the NAEA or OEA) and auctioneers online and they will send you information about properties as soon as they come on the market, or send you the latest auction catalogue. Again, they are unlikely to tell you that the property is a repossession, but you will be able to obtain clues about

whether this is the case by following the advice offered below. Try to build up a trusting relationship and you may find that you receive more information about repossessed property, once an estate agent realises that you are a serious buyer. Some useful websites that you can try are listed below. Also, if you register with property websites, you may find it useful to open a separate email account as you can be inundated with responses.

## Online newspapers

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If your local newspaper publishes an online version, you can view past and current 'notices of offer' adverts that appear in the paper. Some of these will indicate that a property is a repossession by using the terms 'by order of the mortgagees in possession' or 'we are acting for the mortgagees'. Others will prefer not to indicate that the property is a repossession (see example online advertisements below). Using online sources such as these is useful to find out how the procedure works in your local paper and to see which houses have been advertised in the past and for how much. As many of these adverts state that higher offers can be made any time before the exchange of contracts, it may be possible for you to find suitable properties on which you can still make an offer.

### EXAMPLES OF ONLINE 'NOTICE OF OFFER' ADVERTISEMENTS

#### Example 1

Location: Liverpool

Price: £ 90,000

NOTICE OF OFFER [*address*]. By order of the mortgagees in possession, we would advise that an offer has been made for the above property in the sum of £90,000. Any person wishing to increase on this offer should notify the agents of his best offer prior to the exchange of contracts. Selling Agent [*address*].

#### Example 2

[*Address*]. We are acting for the mortgagees and have received an offer of £166,000 on the above property. Any interested parties must submit any higher offers in writing to the selling agent before exchange of contracts takes place. Selling Agent [*address*].

### Example 3

The Estate Agent is now in receipt of an offer for the sum of £75,000 for [address]. Anyone wishing to place an offer on this property should contact the Selling Agent before exchange of contracts.

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## REGISTERING AN INTEREST

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Although most selling agents are unwilling to let you know when properties have been repossessed, they are very happy to keep you informed of all of the properties that come on the market within your price range. To make sure that this includes repossessed properties, there are certain things that you can point out as desirable when you register an interest with a selling agent:

- Consider the price that you can realistically pay for a property and then add an amount to this figure that you would be able to negotiate off the asking price. This will enable you to obtain details of properties that are out of your price range, but that may be affordable once you have negotiated on the price. The amount that you can add on to the price could be ten to 20 per cent of the asking price. But do not be tempted to ask the selling agent to send you details of properties in all price ranges, or those that are far too expensive, because he will think that you are less serious about making a purchase.
- Point out to the selling agent that you are looking for properties on which you can negotiate, and properties on which the lender wishes to make a 'quick sale'. Point out the advantages you have against other purchasers, which may include the fact that you are a cash buyer, or you already have a mortgage arranged, or that you are not part of a chain. Selling agents tend to spend more time and energy with customers to whom they feel they are more likely to make a sale.
- Point out that you are very interested in obtaining properties that are in need of work and modernisation, and that you will not be put off by properties that have been neglected or badly maintained.
- Try mentioning that you are interested in 'distress sales' or 'properties in distress'. Some selling agents will provide details of this type of property and this will include those that have been repossessed.

- It will help your case if you are flexible about the type and location of the property. All types and sizes of property can be offered as repossessions and if you are very flexible about location and type, you will have the opportunity to find out about a wider variety of properties.

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## **BEATING THE COMPETITION**

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As a potential purchaser of a repossessed home, you must understand that you are up against savvy property developers and investors who may have built up a good working relationship with selling agents in your area (see Case Study 2 on page 64). To stand a chance of obtaining the bargain you desire, you must understand how to beat the competition. The tips below should help you to do this:

- Get to know your local selling agents. Adopt tricks used by property developers and investors and try to get to know agents and build up a network of contacts. Visit agents on a regular basis and meet the staff, individually. You will find that some members of staff will be more helpful than others, so visit the agents at different times so that you can get to know everyone who works in the office.
- Visit selling agents at times when they are not busy, as they will have more time to talk to you and they will be less distracted. Find out when managers and bosses are present and try to visit at times when they are not available, as some employees are more willing to talk frankly and 'off the record' when their bosses are not listening.
- Obtain a list of all the auctioneers in your area and register on their mailing list so that you can receive catalogues for all forthcoming auctions, as soon as they are published. These catalogues are very useful to your research and will help you to keep abreast of fluctuations in the market and help you to spot bargains when they come up for auction.
- Find out when houses for sale are advertised in your local newspaper. Always read the small advertisements, as the law does not require selling agents to make the advert prominent.
- Register with a number of selling agents online and ask them to email property details as soon as they appear in the market. Often you can

receive information about a property before details are published, printed and displayed in windows.



#### AUTHOR'S NOTE

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*During the research for my book I have been surprised at the number of people who say that they 'do not trust estate agents'. Indeed, my research has shown that many people suspect the agents of acting unlawfully and not in the interests of the buyer. Certainly, over the years that we have run our property company, we have come across some agents who have not behaved in a way that we would expect. When this has happened, we have simply moved to another agent – there are so many estate agents about that you do not have to stick with one that you do not trust. There are many competent and reliable agents about and once we find one, we add them to our list of reliable and trusted contacts.*

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#### CASE STUDY 2: ADAM AND DAVID

Adam and David are successful property investors. Their property portfolio is worth a 'significant six-figure sum' and is based in London. Their company has been running for 13 years and they believe that they will be able to cope with recent price drops because they view their investment as a long-term strategy and they are sure that prices will rise again at some time in the future.

The two investors have recently bought three repossessed properties in the same apartment block, which is only four years old. Several of the properties that they already owned were located near to this new development and Adam and David had watched its construction with interest. They thought that it would be useful to buy apartments within the block, but they had been unable to negotiate a good enough price from the developer when the apartments were new.

As property investors for 13 years, they have built up a good rapport with estate agents and mortgage companies in the area. At a meeting to arrange a mortgage on another property, they discussed the new development with the mortgage adviser. He pointed out

that they might be better waiting for a few years, that some of the properties were likely to be repossessed because people had paid too much for them and their expectations about the rental income on the properties had been too high.

Sure enough, four years later several apartments appeared on the market in close succession. There were clues to the fact that some of these were repossessions and another meeting with the mortgage adviser confirmed these suspicions. Adam and David approached the estate agent and put in an offer on three of the apartments. No other bids were made during the notification period and the sales went ahead quickly.

Adam put their success down to the fact that they have a very good relationship with their mortgage adviser, who is able to let them know what is happening quickly before other people find out. This relationship has been built over a number of years and they now know the mortgage adviser socially, as well as dealing with him professionally. They are quick to point out, however, that the mortgage adviser only gives them 'general leads' and he does not pass on information that could be considered confidential. (For a list of what estate agents can and cannot do and for advice about making sure that they act ethically and lawfully, see Chapter 8.)

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## **TIPS FOR SPOTTING REPOSSESSIONS**

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In cases where it is not explicitly mentioned that a property is a repossession, there are clues available. Look out for the following:

- Properties that are offered below the current market value of similar properties in the area. To find out whether this is the case, you will need to monitor the local housing market so that you spot, instantly, when a cheaper property is being advertised. Information about how to do this is provided in Chapter 6.
- Properties on which it is clear that the seller is 'willing to negotiate'. You can find out whether this is the case by asking the estate agent, or noting when a price is advertised with the letters 'ONO' ('or nearest offer').

- Properties with no forward chain. Although this may happen for a variety of reasons, such as death, divorce or moving abroad, if this is combined with any other clues listed here, it may mean that a property has been repossessed.
- Properties that attract ‘sealed bids’ or ‘higher bids’, usually over a seven- or 14-day period. This may be advertised by the estate agents in their offices, in the local newspaper and/or online.
- Empty properties. Again, properties may be empty for a variety of reasons, but, if this is combined with some of the clues discussed here, they may be empty due to repossession.
- Tenanted properties on which you are assured vacant possession upon completion, and where there appears to be no private landlord present. This type of property can be offered in other circumstances, but it may be a clue to the fact that it has been repossessed and the lender is letting the property until it is sold. It may be possible to talk to the tenants to find out what is going on.
- Properties that have been stripped of fixtures and fittings. These may be described as ‘in need of updating’ or ‘in need of modernisation’ and some estate agents may point out that they will need new doors or windows. Again, this does not necessarily point to a repossession, but it can be a good indication. Also, you may notice that door and window locks have been changed recently, which, again, may be a clue that the property has been repossessed.



#### AUTHOR'S NOTE

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*Our firm once viewed a property that we were pretty sure had been repossessed, but, despite constant questioning, the estate agent refused to tell us whether this was the case. The property was tenanted and since we were intending to let the property ourselves, we arranged a meeting with the tenants to find out whether they would be suitable to keep on in the property. They could not tell us whether the property had been repossessed, but pointed out that they were now paying their rent to the mortgage company. In the end, we decided that the property was not right for us, mainly because it was too small, but we were fairly sure that it was a repossession.*

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## SUMMARY

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Repossessed property can be offered for sale through estate agents, auctioneers, local newspapers and online sources. It is useful to register an interest with different organisations so that you can obtain information about a variety of properties that are coming on the market. Also, it is important to learn how to recognise clues that a property is a repossession, as most estate agents have been instructed not to pass on this information to potential purchasers. Clues can include empty properties, no forward chain, a price below the market value, a price on which the vendor is willing to negotiate, and properties that have been damaged or are in 'need of modernisation'.

An important part of finding the right property is to undertake a careful and systematic analysis of the property market so that you know what prices are being charged, you know the best locations in which to buy, and you understand how to avoid problem properties. These issues are discussed in the following chapter.

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## FURTHER READING

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Goodie, H R (2007), *Buying Bargains at Property Auctions*, 4th edition, London: Lawpack Publishing Ltd. (This book is available from [www.lawpack.co.uk](http://www.lawpack.co.uk).)