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THE  
GREAT HOUSE  
GIVEAWAY

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Property  
auctions:  
An in-depth  
guide.



The success of shows like Homes Under the Hammer has opened up the mysterious world of property auctions to the masses.

This beginner's guide is here to help you understand how they work and how you can take part in one.

**First things first.**



## How does a property auction work?

It works much like any other auction.

An auctioneer will stand at the front of the auction room and officiate proceedings, with competing bidders raising their hand or paddle to make a bid.

The auction is organised by an auction house. As well as bidders in the room, during the auction there is likely to be a team from the auction house on the phones, helping people who can't attend in person to place their bids. The auctioneer may also have a number of pre-made bids 'on the book', to counter against bids in the room.

Once the hammer goes down, the winner will be asked to show their number. The winner will then be required to attend the Contracts table to sign the Memorandum of Sale.

Your number will be assigned when you arrive and register at the auction. If you want, you can choose not to register and simply observe instead.

## Why are some properties sold at auction?

When the hammer goes down at an auction, the winning bidder has exchanged contracts and, is legally obliged to complete the purchase of the property. The speed and certainty helps the vendor secure a quick sale.

Auctions can be especially helpful if the vendor is in financial difficulty, or the property isn't wanted – for instance, owned by a bank or building society after being repossessed.

## Where can I find auction properties?

Auction houses typically list upcoming lots on their website in advance, and produce a catalogue that's available in the auction room. In addition to this, many of the lots can be found on our portal or for a full list of what is coming to auction you can visit [www.eigpropertyauctions.co.uk](http://www.eigpropertyauctions.co.uk)

When browsing online, you'll find a 'Guide Price' – which is a good indication as to where the reserve is currently set and not necessarily an indication as to what the lot will sell for. You may also find photos, a written description, a floorplan, and a copy of the property's Legal Pack.

It is also recommended to try and ascertain the likely sale price because if it is outside your range it may not be worthwhile incurring costs on due diligence if this is the likely outcome. [www.eigpropertyauctions.co.uk](http://www.eigpropertyauctions.co.uk) has a database of all properties sold at auction and will be able to assist you with this search.

The Legal Pack is an important bundle of documents prepared by the vendor's conveyancer, and we strongly suggest you read it before bidding.

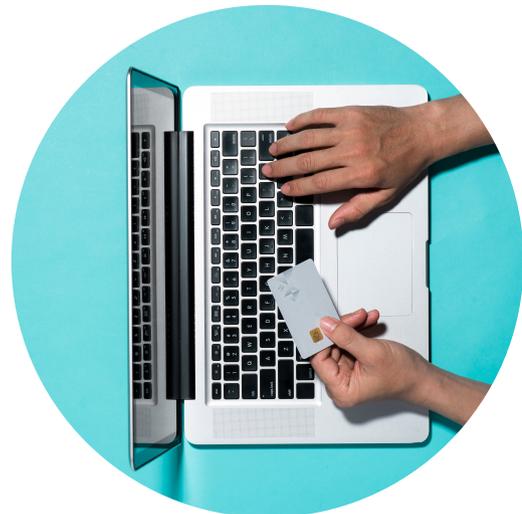
## How do you pay for auction purchases?

On the day of the auction, you'll need to pay a deposit – typically 10%, plus some additional fees – either by credit or debit card. You then have 28 days (or possibly less) to pay the balance in full. If you don't pay within 28 days, you'll lose your deposit and your right to purchase the property. You may also have to cover the costs associated with selling the property again.

If you've got the money in the bank, you can do a bank transfer. But if you need to borrow the money, you'll need to engage a mortgage provider.

There are several options in terms of lending products, from residential mortgages (if you're buying a property to live in) to short-term bridging loans (ideal if you're hoping to renovate the property before selling it on or arranging, for instance, a buy-to-let mortgage). The lender can talk you through the options, so you can find the right one for your circumstances.

For instance, our Auction finance can often be arranged much more quickly than a traditional mortgage – so if you're close to your 28-day deadline, you may choose this to help protect your deposit. You can read more about how our Auction finance works later in the guide.



A man in a dark suit and white shirt is captured mid-air, jumping joyfully with his arms raised in a 'V' shape. He is wearing a watch on his left wrist and dark shoes with orange socks. The background is a vast, green field under a clear blue sky with scattered white clouds. A large, solid yellow circle is positioned to the right of the man, containing the text 'What's the big deal?'.

What's the  
big deal?

If you're new to the auction world, you might be wondering why it's such a popular way to invest in property.

It isn't just about picking up a bargain – it brings with it a whole raft of other benefits.

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## There's a range of properties

At auction, the range of lots is hugely varied – and introduces some property you're unlikely to see in an estate agent's window. This means there's often more potential to make a profit, too.

Many of the lots are offered by property companies whose focus is based on speed and certainty of sale more than the price achieved.

An increasing number of lots are being offered on a conditional basis by home owners that need to sell in a hurry and will accept a lower price to achieve a quick sale.

Some of the properties you may see being sold at auction include:

- Those deemed 'unmortgageable' by some mortgage providers, because of their condition, construction materials, or similar issues.
- Properties with sitting tenants.
- Conversion opportunities.
- Those that could be split into several, smaller units.
- Semi-commercial properties (e.g. flats above retail units, where both are included in the sale).
- Land.
- Commercial property.

## You're competing only with other auction-goers

Thousands of people browse estate agents' property listings online via sites like Zoopla or RightMove, which can put you up against countless other potential buyers. And this could make securing a sought-after property, at the right price, very tricky.

At auction, you're bidding just against those in the room or on the telephone who might be interested in the same property. And you know very quickly how much you'll have to pay to make it yours – no more putting in an offer and hoping for the best.

## No protracted negotiations

When the hammer falls, the contract between the winning bidder and the vendor is legally binding. There's no waiting around for the vendor to consider an offer, and no stressful negotiations – so you can get on with completing the transaction. Deadlines are short, and you should have the keys within a month.

Insider knowledge could be the difference between coming up trumps and having the cards stacked against you. Our auction expert, Scott Hendry, shares his best tips for those planning a bid.

**Playing your cards right.**

## 1. Read the Legal Pack

The Legal Pack contains documents relating to the property, and is prepared by the seller's conveyancer.



Each one will be unique, so you should always read the pack no matter how experienced you become. Make sure you've read the small print, as it's often in these sections where surprises – such as covenants, restrictions and rights of access – are noted.

You can take a look at the Legal Pack on auction day, but it's a good idea to request it in advance. If you're happy with it, get your conveyancer to check it out too.

## 2. Check the completion period

Most of the time, you'll have 28 days to complete the purchase and pay the balance you owe. However, rapid completions are not unheard-of, and may mean you have far less time to get your finances in place.

This information can be found in the Legal Pack, and is often included in the auction catalogue. The auction caller may also flag this before bidding starts.

## 3. Ensure you have means of making payment

If you're a successful bidder, you'll have to make a payment there and then, typically by credit/debit card. Don't bring cash.

The payment will include a deposit (10%), an administration fee to the auction house, and possibly a 'buyer's premium'.

## 4. Beware the ‘six-month rule’

If you’re buying the property as an investment or to let, some lenders won’t lend on it until you’ve owned it for six months. On top of this, some will also insist the vendor has owned it for six months too.

Even seasoned auction professionals can be caught out by this, so it’s important to find out how long the vendor has owned the property. Otherwise securing funding could be an issue with a big-name lender.

## 5. Investigate any tenancies

Is the property you are planning to purchase currently being rented out?

Take the time to find out some background information about both the tenant and the tenancy agreement. Assured Shorthold Tenancies can cause issues for finance with some of the big lenders.

If you buy a property with a regulated tenant, it may be a long time until that property is vacated, as they will have the right to remain. And, usually, at rents well below the market rate.

## 6. Keep calm

The auction house can be an exciting place, but don’t get carried away.

If a particular property attracts a lot of interest, it’s all too easy to keep bidding. Stick to your budget and hold your nerve.

Remember, also, the guide price is just that: a rough guide. The property could go for significantly over that price, so it’s important to ensure you don’t stretch yourself. Some properties sell for less than the guide price, but some lots that fail to meet their guide price won’t be sold – which we’ll come onto next.

## 7. Look out for unsold lots

Most lots will have a reserve: the minimum the vendor will accept for the property.

If a reserve price is not met, the auctioneer will withdraw the lot from the auction. However, at the end of the auction the vendor may agree to sell the property at a lower price. Ask the auctioneer if you can register your interest for such properties and you may find yourself with a last-minute win.

## 8. Get to know your auction house

Register with your local auction house, and go along to a few auctions. Get a feel for the experience. Make the auction house your friend – they might be able to advise you on any property you’re thinking of buying. And if you’re buying to sell, they could help you with the sale when the time comes.

## 9. Arrange your finance in advance

Whether you do this at home, or by talking to us in the auction room, you can get a pre-approved loan decision in minutes. This will tell you exactly what you can afford to bid, and what it’ll cost you.

The most commonly-used auction finance is a bridging loan, which lasts up to 12 months. You only repay the interest each month, and repay the initial sum you borrowed (plus any fees) as a lump sum. This can be helpful if you need time to arrange long-term finance.



The devil is  
in the detail.

Whenever you're planning to buy at auction, reading the small print can make a big difference. So it's important to read and understand all the legal details.

The Legal Pack – prepared by the vendor's conveyancer – is a vital read and can seem a little daunting. But with the right help, it's more straightforward than you think.

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## What is the Legal Pack, exactly?

It's a bundle of documents prepared by a conveyancer on behalf of someone who's selling a property at auction. They're made available by the auction house for any buyer to review before the auction, and should provide all the information needed to decide whether to go ahead with a bid.

## What do I do with it?

You need to read and understand all the papers in the Legal Pack – or appoint a conveyancer who has experience in the property market to read them for you. When you buy at auction, the transaction is subject to everything in the Legal Pack, so it's really important.

## What's included in the Legal Pack?

- Office copy entries – these are certified copies of the land or charge certificate, obtained from the Land Registry, confirming the ownership of a property.
- Lease – this will detail the outstanding lease (if the property is leasehold).

- Land Registry and other searches – containing information regarding flood risk, nearby planned infrastructure works, and so on.
- Tenancy agreements – if the property is a buy-to-let that comes with a sitting tenant.
- Management information pack – otherwise known as a 'Leasehold information pack', and included for leasehold properties. Includes information about ground rent, service charges, and so on.
- Fixtures and fittings form – discloses what comes included with the property, such as carpets, curtains, and kitchen and bathrooms fitments.
- Property information form – a standardised form for the vendor to make declarations regarding the property's history, boundaries, disputes, guarantees, and more.
- Planning permission documentation – noting any nearby planning applications affecting the property, whether historical or current.
- Special conditions of sale – such as the completion date (normally – but not always – 28 days from the date of the auction), covenants, restrictions on occupation (e.g. minimum age in retirement properties), any additional disbursements that are payable when you complete, and similar notes.
- Replies to pre-contract enquiries – answers to questions other have asked about the property ahead of the sale.

**If you need help with finding a solicitor, or have any questions about the legal pack, get in touch and we'll be happy to help.**

Don't fancy the journey to your nearest auction house? You can bid and buy online instead.

Online auctions work in a different way to traditional auctions. At a traditional auction, bidding is completed in a matter of minutes, and sometimes even seconds. And when the gavel falls, you've effectively exchanged contracts and will immediately need to pay 10% of the purchase price.

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## How online auctions differ

Online auctions normally take place over a number of days (rather than minutes, as with a traditional auction). During this time, buyers register and place their bids.

A late bid can result in the deadline for bids being extended by a minute; so there's no advantage to swooping in at the last moment to outbid someone. A sale is only complete when there have been 60 seconds of 'silence'.

Some sellers like these auctions because they don't need to pay towards room hire and catalogue printing, and can quickly enter the property into another auction if it doesn't sell.

## Reservation fees

At the end of the auction, the highest bidder wins and pays a reservation fee. This is set by the estate agent or auction platform, and a minimum value often applies.

The reservation fee isn't a deposit, so you pay it on top of the purchase price. It's non-refundable if you pull out after winning the auction; but if the seller pulls out, you should get this back. You should also know that the reservation fee will be considered part of the purchase price for the purposes of calculating your Stamp Duty obligations.

## Completion timescales

Unlike traditional auctions, some online auctions are "conditional" or "modern method". Rather than binding the winning bidder to the sale, the fall of the virtual hammer gives them a 28-day exclusivity period in which to exchange contracts, and 56 days in which to complete. So there may be time to get a traditional mortgage.

However, some online auctions work just like you're in a physical auction room, and you'll have 28 days to complete if you're the winning bidder. So make sure you check what kind of auction it is, in advance.



**Finding an online auction is easy. Just punch 'online property auctions' into your favourite search engine.**

Auctions  
from your  
armchair.



Getting  
your ducks  
in a row.



Unless you're cash-rich, you'll need to arrange finance to complete your purchase. We've been helping auction buyers for 15 years, with competitive rates and a flexible approach.

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## How does Together Auction finance work?

Our Auction finance is available on a wide range of residential, semi-commercial, and commercial properties. We work quickly so (assuming you qualify) your loan is in place within your 28-day completion deadline. Any fees\* can be rolled into what you've borrowed.

You'll have up to 12 months to repay what you've borrowed in a lump sum – either by arranging longer-term finance, or by selling the property on.

In the meantime, one of two things will happen:

- You'll make interest payments each month – this is the most common scenario.
- We'll bundle up the interest and add it to the lump sum you repay. We'll do this if you're buying a house to live in.

## Why choose Together?

We're property auction experts, and attend dozens of property auctions every year.

In fact, there's a good chance you'll see us on the floor on auction day. We've built up decades of lending experience, and frequent auction-goers may well recognise us. If you're not a regular on the floor, rest assured. We recognise that lots of people are interested in buying at auction these days... not just investors.

We've seen all sorts of properties appear in the catalogue over the years, and have an open mind about the circumstances when we're happy to lend. So if it's an unusual property, or you've been told it's 'unmortgageable', think of us. We can often lend when others struggle to.

Including if you're self-employed, are applying as a business, or have less-than-perfect credit.

**Any property used as security, including your home, may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.**

**Loans provided by Together Commercial Finance Ltd. are not regulated by the Financial Conduct Authority.**

**\*Fees are variable based on the loan amount. No exit fee applies.**

Lending for  
all walks of  
life.



# Common sense lending.

At Together, we've been applying common sense to lending for over 40 years, and helping people finance their auction purchases for over a decade.

Whether you're building a buy-to-let portfolio, renovating a property that you hope to sell on, or investing in a business premises, we offer a range of products that can help both now and in the longer term.

## Flexible on property

Some lenders struggle to secure loans against some of the properties that come up at auction. But because we take each case as it comes, and treat everyone individually, we can consider a wide range of lots:

- Residential investment properties, including those with sitting tenants.
- Commercial and semi-commercial units.
- Properties of non-standard construction.
- Distressed properties in poor condition, including those that are currently deemed uninhabitable.
- Properties requiring a change of use classification, conversion, or dividing into multiple units.
- Land (with or without planning permission or agricultural restrictions).

## Flexible on income

We live in the real world, and know that not everyone works 9-to-5 anymore.

Our common-sense approach means we can take into account all of your income, whether you're:

- Working one, two, or more jobs.
- Self-employed (even if it's just a side-hustle).
- Receiving rental income.
- Claiming a pension.
- Topping up your wages with bonuses, overtime, child maintenance or benefits.

**together.**<sup>®</sup>

**Call us on 0333 242 9819**

**Or visit [togethermoney.com/auction](https://togethermoney.com/auction)**

Together is a trading style of each of the undernoted companies, which have their registered office address at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW.

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