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In his Review of Residential Property Sir Bryan Carsberg referred to research commissioned by RICS during the Spring of 2008 (the ComRes survey).

“One of that survey’s findings, he said, “was that many people claim to know someone who has been inconstant in the process of buying or selling, perhaps sellers switching buyers at the last moment to get a higher price (gazumping) or buyers threatening not to go ahead with transactions in order to get the seller to agree to a lower price (gazundering). Many fewer admit to carrying out such practices themselves, though the numbers of those who do are nonetheless significant.”

We are fairly unlikely to see much evidence of gazumping in the current market but gazundering is, sadly, likely to raise its ugly head more frequently. Both activities are equally frustrating, upsetting and occasionally disastrous for sellers, as described by NAEA member David Mortimer who was telling ‘Gavel’ magazine about his reasons for becoming a qualified auctioneer:

“The main turning point came as I was selling one acre of development land for a client with terminal cancer. He had about a year to live and wanted to move with his wife closer to their daughter in Coventry. We did the deal at more than £800,000 - only to be offered £650,000 on the day of exchange of contracts. I felt that I had let down my client, and from that point moved towards auctioneering as the only serious alternative to informal tenders, thus protecting the client from being gazundered.

I am now a firm believer that by selling properties at auction you are doing so in an open and fair environment where you can demonstrate that you are achieving the best price for your clients,” he said.

Six months ago, an equally concerned Richard Hair, NAEA Branch Chairman for Essex, said: “We seem to be caught between and rock and two hard places. Instructions are very slow, sales remain difficult to put together with buyers reluctant to commit and we now have the first signs of gazundering.”

Unethical, but legal

This practice is unethical, but legal. It can help buyers to secure a home that they really cannot afford and some websites actually promote the practice, telling their readers that it’s ‘fair enough’. It may be fair enough as far as the buyer is concerned but to a seller in the middle of, perhaps, the second or third chain they have become involved in, it can be the last straw.

Sir Bryan Carsberg reported that he believed that the taking of deposits when a buyer agrees to proceed might help; this is a practice regularly used by NAEA members Green and Co. in London who have introduced a ‘Goodwill Charter’ to help to avoid gazumping and gazundering.

The Goodwill Charter is a legal document, devised with their solicitors, which helps to stop vendors and purchasers from entering into sales they have no intention of honouring. If either party withdraws from the sale without a genuine reason, within the agreed time period (normally 14 or 21 days from the date the vendor’s solicitors provide a complete package of information), they forfeit the bond they have paid. (An amount agreed between seller and buyer, usually around £500 - £1000)

Greene & Co say that they hope this type of agreement will eventually become compulsory when buying a property as it seems to be the only way to prevent gazumping or gazundering. The agreement can be made subject to a purchaser’s mortgage offer, survey etc, but if either party breaks the agreement for no good reason the money that the agent has been holding will be directly paid to the other party. If both parties keep to the agreement for the agreed time period regardless whether an exchange of contracts has occurred the money will be returned immediately.

This is a great idea if your clients will play ball; but what else can be done to avoid your sales being wrecked by gazunderers? Rachael Harrison, (pictured above) sales manager of Robinson and Hall, has some ideas. “Less savoury property buyers are leaving sellers high and dry by demanding a last minute price cut, which

can sometimes occur on the day of exchange. Gazundering buyers break sales chains as sellers are frequently no longer able to afford their intended next purchase if they accept a lower offer.

The current economic climate has increased the length of purchasing processes far beyond the previous average of eight weeks. Sellers can reduce the threat of being gazundered by taking every possible step to speed the process through to exchanging contracts," she explained.

Rachael recommends that sellers instruct their solicitors the moment the marketing of their property begins. Ensure that they have the title deeds which are available on request from the mortgage lender.

Avoid unnecessary delays by filling in the forms from the solicitor early so that they are ready for when a buyer's solicitor needs to see them. Ask the solicitor whether a full local authority search is included in the Home Information Pack (HIP). Many HIPs exclude this information which can cause the buyer's solicitor to undertake a new search which could delay completion. Also, prepare copies of planning permission and building regulation consents ahead of time.

If selling a leasehold property, the seller should make sure that they have received all the service charge and insurance details from the managing agents. This can take a long time, so requesting the information early can reduce the risk of a delayed exchange.

Genuine buyers are attracted to realistic guide prices; it is important that the agent discusses all offers with their client to help identify low-risk prospects. If an offer seems too good to be true compared to current market prices, sellers should be prepared to be gazundered. The buyer might be trying to lock out other offers and drop the price minutes before the exchange of contracts.

If you doubt a buyer's ability to promptly raise finance, continue to market the property until the buyer is in receipt of a mortgage offer. Raising finance is the largest obstacle in today's climate. Help the seller devise a plan of action. What would they do if their buyer reduced their offer late in the sales process?

Finally, advise the seller to consider selling at auction. It offers the security of a pre-agreed completion date and a binding contract on the fall of the gavel.

Gazundering returns. Here is some advice on how to avoid it happening.

- [The Review of Residential Property – standards, regulations, redress and competition](#)
- [RICS UK commercial property forecast](#)
- [The Ombudsman Column PROPERTYdrum Magazine April 2009](#)
- [Stamp Duty changes – will they help?](#)
- [Going Global](#)
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