

Buyers Who Won't Buy – What to Do?

Many developers have been faced with the problem of having to persuade buyers who bought 'off plan' before the credit crunch struck to complete their purchases in the light of the subsequent decline in property prices.

If you are faced with such a situation, it helps to understand the buyer's dilemma. Where buyers are reliant on mortgage finance, they may have a real problem as the security they are able to offer may no longer be able to support the mortgage. Although low interest rates mean that financing the repayments has become easier, the combination of lower property prices and more stringent loan to value criteria may create significant problems in such cases. In any event, interest rates are expected to start edging up this year.

Some buyers may seek to renegotiate the purchase price, based on the premise that selling the property elsewhere might be problematic. Some may simply walk away from the transaction hoping that a forfeit of the deposit is the only recompense you will seek and you will re-market the property. In each instance, the best action to take will depend on a number of factors, so take advice.

One possibility in such cases, however, may be to agree to take a second mortgage on the property, which at least presents the possibility of obtaining the amount 'left in' when the property is eventually sold. The provider of the primary mortgage would normally have to agree to such an arrangement. An alternative might be to enter into a shared ownership agreement.

If no other solution can be found, then you could consider serving a notice requiring completion and then, if this does not produce the desired result, taking an action for specific performance, which, if successful, will require the buyer to fulfil the contract and buy the property.

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