

# Buying a property for the first time?

A brief outline of everything you need to know. By **Chrissie Thorne** of Viberts

## How much can I borrow?

Until recently, the lending criteria for high street lenders was straightforward and could be explained as a percentage of your gross income based upon a set amount of deposit. Lenders now have a disparate set of rules to establish this figure, so you are well advised to shop around amongst lenders and mortgage brokers to establish this figure. Factors affecting this calculation will include the number of years until your retirement, the level of your basic salary and the level of deposit which you have accrued, your monthly outgoings and your overall credit setting.

You will hear the term 'LTV' which means 'Loan to Value'. This is the relative percentage between the amount of your new mortgage and the value of the house. For example, if you are looking to borrow £450,000 to buy a property valued at half a million pounds then your LTV will be 90%.

## How much will it cost?

There is a typical set of costs that will be incurred as part of the property buying process. These vary according to the value of the property and other factors such as the amount of administration required. These will typically include:

- Stamp duty on your contract of purchase, mortgage arrangement fees
- Your lawyer's fee
- Your mortgage provider's lawyer's fee
- Your surveyor's fee
- Cost of bank valuation and any specialist reports
- House, contents and life insurance premiums
- Removals costs
- Changing the locks

## Stamp duty

Stamp duty is a tax payable by a buyer or borrower to the Treasurer of the States on the passing of a purchase contract and on the creation of a mortgage. Stamp duty has been increased disproportionately in the last ten years and it is now likely to be your biggest single expense when buying a property. However, there are discounts for first-time buyers acquiring under £500,000. The tax is calculated on a sliding

scale based on the sale price or the amount borrowed. The more expensive the property, the greater percentage of that price is due in property tax.

## Chain reaction

It is often likely that there will be other associated transactions which will need to happen before completion. The seller will need somewhere to live and will probably be looking to buy a replacement home to coincide with his/her sale to you. In turn, the seller of the property which he or she is to buy may be in a similar position.

We refer to this as a 'chain of transactions' which is a good description as each transaction is linked because the money from the sale of each property in the chain will be partially funding the purchase of the next. If a link is broken, for example if there is a problem with a particular property in the chain which causes that sale to be delayed, this will have a knock-on effect which can mean that several other properties in that chain will be delayed.

## The next step

Buying for the first time should be an exciting time, when it pays to be realistic about both the timescales involved and as to what you can afford. This will in turn help reduce the stress and help make the overall experience a positive one.

As one of the most significant purchases you will ever make, we are here to offer our extensive knowledge and expertise to guide you through the process. Download our Property Law brochure from our website or email Chrissie Thorne at [property@viberts.com](mailto:property@viberts.com) for more information.



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